Alberta

Freedom To Create. Spirit To Achieve.

Energy
Annual Report
2008-2009

Government of Alberta

Public Accounts 2008-09 Preface

The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act* and the *Government Accountability Act*. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 24 Ministries.

The annual report of the Government of Alberta released June 30, 2009 contains Ministers' accountability statements, the consolidated financial statements of the Province and *The Measuring Up* report, which compares actual performance results to desired results set out in the government's business plan.

This annual report of the Ministry of Energy contains the Minister's accountability statement, the audited consolidated financial statements of the Ministry and a comparison of actual performance results to desired results set out in the Ministry business plan. This Ministry annual report also includes:

- the financial statements of entities making up the Ministry including the Department of Energy (DOE), the Energy Resources Conservation Board (ERCB), the Alberta Utilities Commission (AUC) and the Alberta Petroleum Marketing Commission (APMC);
- other financial information as required by the *Financial Administration Act* and *Government Accountability Act*, either as separate reports or as a part of the financial statements, to the extent that the Ministry has anything to report; and
- financial information relating to trust funds.

Energy

2008-2009

CONTENTS

1 Preface
3 Table of Contents
4 Minister's Accountability Statement
5 Message from the Minister
6 Management's Responsibility for Reporting
7 Organizational Structure
11 Ministry Operational Overview
25 Ministry Results Analysis
51 Financial Statements for the Ministry of Energy
69 Financial Statements for the Department of Energy
87 Financial Statements for the Energy Resources Conservation Board
101 Financial Statements for the Alberta Utilities Commission
113 Financial Statements for the Alberta Petroleum Marketing Commission
121 Entities Included in the Consolidated Government Reporting Entity
127 Entities Not Included in the Consolidated Government Reporting Entity
128 Additional Information

Minister's Accountability Statement

The Ministry's annual report for the year ended March 31, 2009, was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as at August 28, 2009 with material economic or fiscal implications of which I am aware have been considered in the preparation of this report.

Original signed by

Mel Knight, MLA
Minister of Energy

Message from the Minister

Alberta's story is one of ongoing success—and it continues to be shaped by our abundance of natural resources, our pursuit of innovation and our commitment to maintaining a high quality of life for all Albertans.

Alberta's energy sector is the main driver behind this high quality of life and our economic growth. Alberta's proven oil reserves are second only to Saudi Arabia. We have an extensive pipeline infrastructure and a thriving petrochemicals sector. We have demonstrated leadership in renewable energy development including hydro, wind and biomass. And our electrical generation capacity is more than 12,000 megawatts, with demand growing at twice the rate of the rest of Canada.

While the last year has brought many challenges—including growing environmental concerns and the global economic downturn—it's also been a year of accomplishments, many of which are paving the way for Alberta's continued success.

In December 2008 government released the Provincial Energy Strategy, a comprehensive plan to guide our approach to environmentally-responsible and sustainable energy development. Achieving the strategy's three goals—clean energy development, wise energy use and sustainable economic prosperity—will help secure Alberta's position as a global energy leader well into the future.

Many of our accomplishments this past year support the goals in the strategy. The implementation of the Alberta Royalty Framework in January 2009, for example, supports sustainable prosperity by ensuring Albertans receive an increased share of resource revenues while bringing stability and predictability to the oil and gas sector.

As part of the Framework, government began implementing 13 recommendations from the Valentine Report, which aimed to improve reporting on Alberta's royalty system. The recommendations will enhance how the performance of the royalty regime is measured and how that performance is reported back to Albertans.

In February 2009, government authorized the Department of Energy to access up to $2 billion to support three to five large-scale carbon capture and storage (CCS) projects. This initiative will result in real, measurable reductions in greenhouse gas emissions and will set the stage for technological developments that will make CCS possible in other jurisdictions, including those whose emissions are substantially larger than Alberta's.

The appointment of an expert panel to prepare a comprehensive and objective report on nuclear energy supports the Provincial Energy Strategy's goal of clean energy production. The report was not intended to reach conclusions or make recommendations, but formed the basis for a public consultation on nuclear energy. The public's response to the consultation will help determine if nuclear power is the right fit for Alberta.

Alberta's success will continue to be driven by the people who work hard to maintain Alberta's position as a leader in responsible energy development. Thank you to all ministry staff and energy sector stakeholders for their efforts in 2008-09. Thank you also to all Albertans for input that helps shape our programs and policies. We are positioned for success in the future.

Original signed by

Mel Knight, MLA
Minister of Energy

Management's Responsibility for Reporting

The Ministry of Energy includes:

- Alberta Department of Energy (DOE/Department)
- Energy Resources Conservation Board (ERCB)
- Alberta Utilities Commission (AUC)
- Alberta Petroleum Marketing Commission (APMC)

The executives of the individual entities within the Ministry have the primary responsibility and accountability for the respective entities. Collectively, the executives ensure the Ministry complies with all relevant legislation, regulations and policies.

Ministry business plans, annual reports, performance results and the supporting management information are integral to the government's fiscal and business plans, annual report, quarterly reports and other financial and performance reporting.

Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the Ministry rests with the Minister of Energy. Under the direction of the Minister, we oversee the preparation of the Ministry's Annual Report, including consolidated financial statements and the performance results. The consolidated financial statements and the performance results, of necessity, include amounts that are based on estimates and judgments. The consolidated financial statements are prepared in accordance with the Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The performance measures are prepared in accordance with the following criteria:

- Reliability – Information agrees with the underlying data and with the sources used to prepare it.
- Understandability and Comparability – Actual results are presented clearly and consistently with the stated methodology and presented on the same basis as targets and prior years' information.
- Completeness – Performance measures and targets match those included in Budget 2008. Actual results are presented for all measures.

As senior executives, in addition to program responsibilities, we establish and maintain the Ministry's financial administration and reporting functions. The Ministry maintains systems of financial management and internal control which give consideration to costs, benefits and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money;
- provide information to manage and report on performance;
- safeguard the assets and properties of the Province under Ministry administration;
- provide Executive Council, Treasury Board, the Minister of Finance and Enterprise and the Minister of Energy any information needed to fulfill their responsibilities; and
- facilitate preparation of Ministry business plans and annual reports required under the *Government Accountability Act*.

In fulfilling responsibilities for the Ministry, we have relied, as necessary, on the executive of the individual entities within the Ministry.

Original signed by

Peter Watson
Deputy Minister, DOE

Original signed by

Dan McFadyen,
Chairman, Energy Resources
Conservation Board

Original signed by

Willie Grieve,
Chairman, Alberta
Utilities Commission

Ministry of Energy Organizational Structure

The Ministry of Energy consists of the Alberta Department of Energy (DOE/Department), the Energy Resources Conservation Board (ERCB), the Alberta Utilities Commission (AUC) and the Alberta Petroleum Marketing Commission (APMC).

The Department manages the development of provincially owned energy and mineral resources by industry and the assessment and collection of resource revenue in the form of royalties, freehold mineral taxes, rentals and bonuses. The Department promotes the development of Alberta's energy and mineral resources, recommends and implements energy and mineral policy and grants rights for industry exploration and development. This business is conducted in the context of the government's overall commitment to balance economic growth and environmental responsibility. The Department is also responsible for establishing, administering and monitoring the effectiveness of fiscal and royalty systems, which provide appropriate returns for Albertans as owners of the oil and gas resources, while encouraging additional investment that creates jobs and economic prosperity.

In response to Recommendation 1 of the Peter Valentine Report[1] the Department began a Department-wide review in April 2008. This review resulted in a re-organization of the Department effective September 1, 2008 and in the adoption of new core businesses and goals reflected in the 2009-12 Business Plan. These changes were aimed at ensuring alignment of the Department's core businesses with government's goals and the Provincial Energy Strategy enhancing the Department's capacity to lead in energy policy development and implementing the Provincial Energy Strategy.

The ERCB is an agency of the Government of Alberta with responsibility to regulate Alberta's energy resource sector. While the ERCB reports to the Minister of Energy, it makes its formal decisions independently in accordance with relevant statutes and regulations. It establishes and applies technical standards for the safe and reliable operation of energy facilities while having regard for social, economic and environmental effects, including resource conservation. The ERCB also includes the Alberta Geological Survey (AGS), whose role is to provide geosciences information and expertise to government, industry and the public in support of the sustainable development of Alberta's energy and mineral resources. The ERCB's operations are jointly funded, with 48 per cent provided by the Crown and 52 per cent through a mandatory administrative fee applied to industry.

The AUC is an agency of the Government of Alberta that ensures the delivery of Alberta's utility services takes place in a manner that is fair, responsible, and in the public interest. The AUC regulates investor owned electric, natural gas and water utilities, as well as some municipally owned electric utilities, to ensure Albertans receive safe and reliable utility service at reasonable rates. The AUC is responsible for making timely decisions on the siting of major natural gas and electricity transmission facilities, as well as power plants. The AUC also makes rules relating to the operation of the retail natural gas and electricity markets, and adjudicates on market and operational rule contraventions that the Market Surveillance Administrator may bring before the AUC. While the Minister of Energy is responsible for the AUC, it makes formal decisions independently in accordance with relevant statutes and regulations. Additionally, the AUC is responsible for approving changes to the rules of the Alberta Electric System Operator. The AUC is 100 per cent self funded through a levy applied to the firms it regulates.

The APMC accepts delivery of the Crown's royalty share of crude oil and sells it at current market value. Unlike other energy commodities, conventional crude oil royalties are paid with 'in-kind' product. The Department and the APMC's operations are integrated and fully funded by the Crown.

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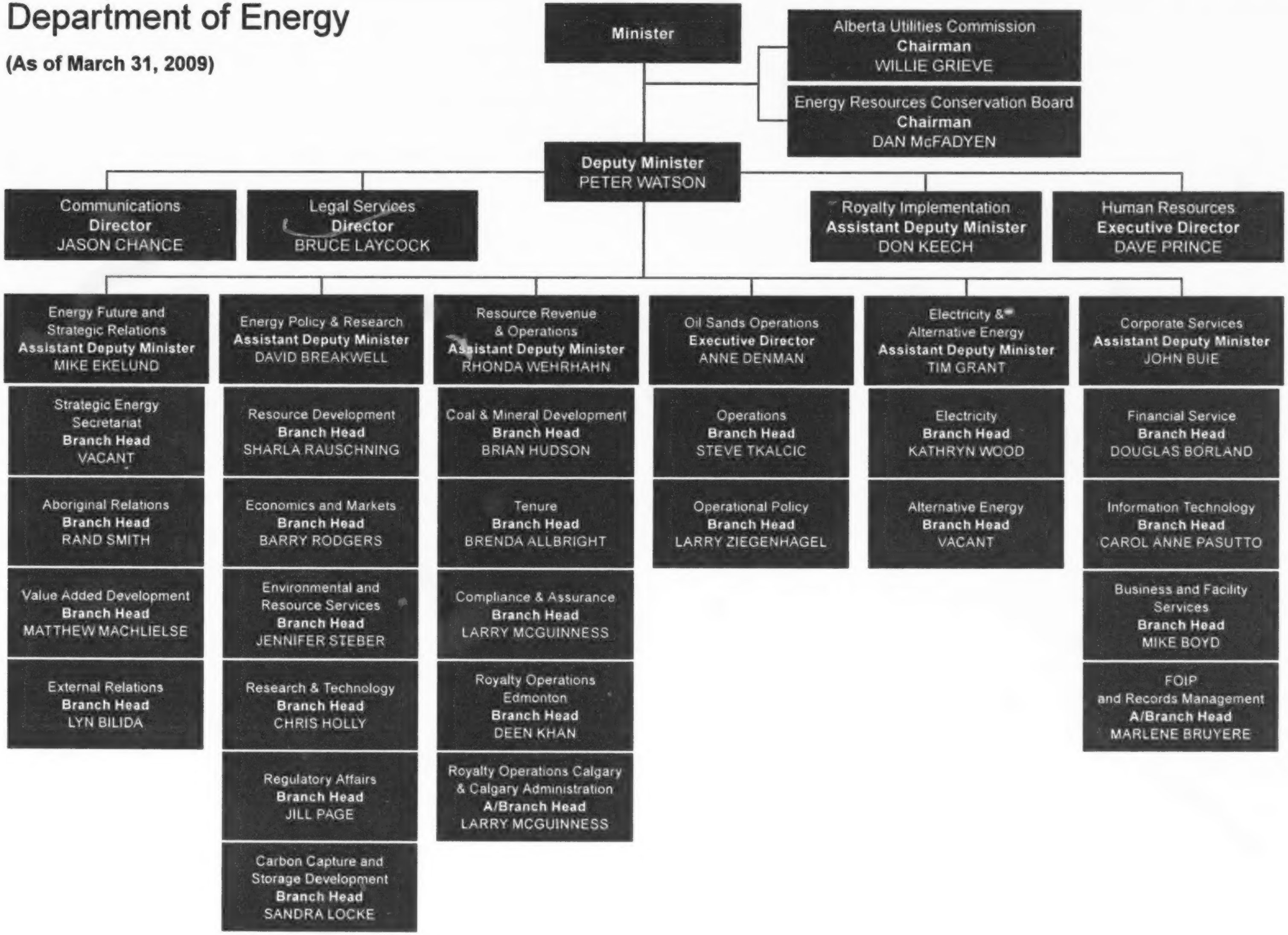
[1] "The Deputy Minister of Energy should initiate a department-wide review to identify changes to the current organizational structure which will better align the Department's core businesses (collection of royalty revenue and ongoing evaluation) with the government's goals; clearly define responsibilities and reporting relationships between business units; and, develop an inventory of critical human resource skills and capabilities required."

Department of Energy

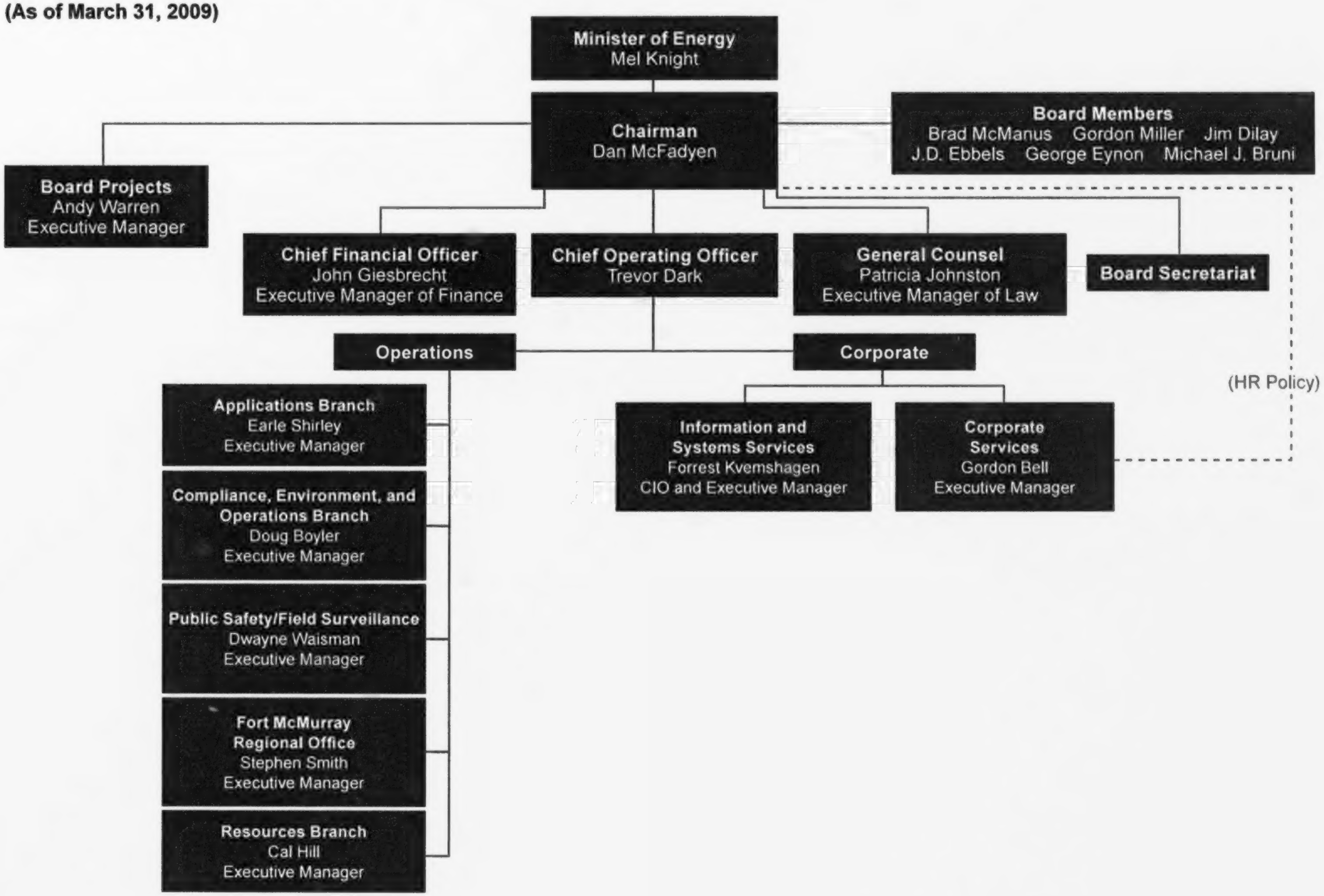
(As of March 31, 2009)



- **Minister**
  - Alberta Utilities Commission **Chairman** WILLIE GRIEVE
  - Energy Resources Conservation Board **Chairman** DAN McFADYEN
  - **Deputy Minister** PETER WATSON
    - Communications **Director** JASON CHANCE
    - Legal Services **Director** BRUCE LAYCOCK
    - Royalty Implementation **Assistant Deputy Minister** DON KEECH
    - Human Resources **Executive Director** DAVE PRINCE
    - Energy Future and Strategic Relations **Assistant Deputy Minister** MIKE EKELUND
      - Strategic Energy Secretariat **Branch Head** VACANT
      - Aboriginal Relations **Branch Head** RAND SMITH
      - Value Added Development **Branch Head** MATTHEW MACHLIELSE
      - External Relations **Branch Head** LYN BILIDA
    - Energy Policy & Research **Assistant Deputy Minister** DAVID BREAKWELL
      - Resource Development **Branch Head** SHARLA RAUSCHNING
      - Economics and Markets **Branch Head** BARRY RODGERS
      - Environmental and Resource Services **Branch Head** JENNIFER STEBER
      - Research & Technology **Branch Head** CHRIS HOLLY
      - Regulatory Affairs **Branch Head** JILL PAGE
      - Carbon Capture and Storage Development **Branch Head** SANDRA LOCKE
    - Resource Revenue & Operations **Assistant Deputy Minister** RHONDA WEHRHAHN
      - Coal & Mineral Development **Branch Head** BRIAN HUDSON
      - Tenure **Branch Head** BRENDA ALLBRIGHT
      - Compliance & Assurance **Branch Head** LARRY MCGUINNESS
      - Royalty Operations Edmonton **Branch Head** DEEN KHAN
      - Royalty Operations Calgary & Calgary Administration **A/Branch Head** LARRY MCGUINNESS
    - Oil Sands Operations **Executive Director** ANNE DENMAN
      - Operations **Branch Head** STEVE TKALCIC
      - Operational Policy **Branch Head** LARRY ZIEGENHAGEL
    - Electricity & Alternative Energy **Assistant Deputy Minister** TIM GRANT
      - Electricity **Branch Head** KATHRYN WOOD
      - Alternative Energy **Branch Head** VACANT
    - Corporate Services **Assistant Deputy Minister** JOHN BUIE
      - Financial Service **Branch Head** DOUGLAS BORLAND
      - Information Technology **Branch Head** CAROL ANNE PASUTTO
      - Business and Facility Services **Branch Head** MIKE BOYD
      - FOIP and Records Management **A/Branch Head** MARLENE BRUYERE

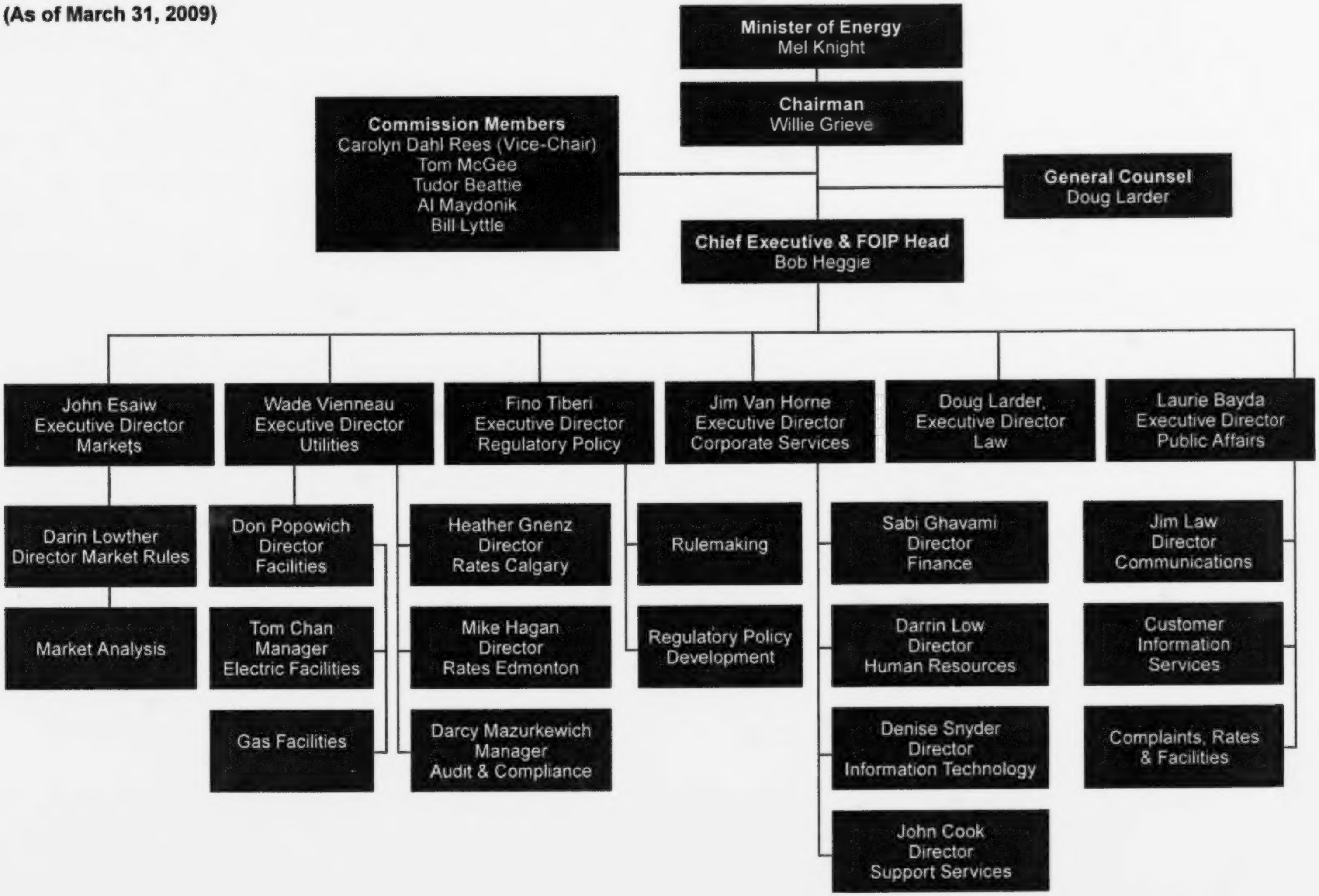
Energy Resources Conservation Board

(As of March 31, 2009)


Minister of Energy
Mel Knight
Chairman
Dan McFadyen
Board Members
Brad McManus Gordon Miller Jim Dilay
J.D. Ebbels George Eynon Michael J. Bruni
Board Projects
Andy Warren
Executive Manager
Chief Financial Officer
John Giesbrecht
Executive Manager of Finance
Chief Operating Officer
Trevor Dark
General Counsel
Patricia Johnston
Executive Manager of Law
Board Secretariat
Operations
Corporate
(HR Policy)
Applications Branch
Earle Shirley
Executive Manager
Compliance, Environment, and Operations Branch
Doug Boyler
Executive Manager
Public Safety/Field Surveillance
Dwayne Waisman
Executive Manager
Fort McMurray Regional Office
Stephen Smith
Executive Manager
Resources Branch
Cal Hill
Executive Manager
Information and Systems Services
Forrest Kvemshagen
CIO and Executive Manager
Corporate Services
Gordon Bell
Executive Manager

Alberta Utilities Commission

(As of March 31, 2009)


Minister of Energy
Mel Knight
Chairman
Willie Grieve
Commission Members
Carolyn Dahl Rees (Vice-Chair)
Tom McGee
Tudor Beattie
Al Maydonik
Bill Lyttle
General Counsel
Doug Larder
Chief Executive & FOIP Head
Bob Heggie
John Esaiw
Executive Director
Markets
Wade Vienneau
Executive Director
Utilities
Fino Tiberi
Executive Director
Regulatory Policy
Jim Van Horne
Executive Director
Corporate Services
Doug Larder,
Executive Director
Law
Laurie Bayda
Executive Director
Public Affairs
Darin Lowther
Director Market Rules
Market Analysis
Don Popowich
Director
Facilities
Tom Chan
Manager
Electric Facilities
Gas Facilities
Heather Gnenz
Director
Rates Calgary
Mike Hagan
Director
Rates Edmonton
Darcy Mazurkewich
Manager
Audit & Compliance
Rulemaking
Regulatory Policy
Development
Sabi Ghavami
Director
Finance
Darrin Low
Director
Human Resources
Denise Snyder
Director
Information Technology
John Cook
Director
Support Services
Jim Law
Director
Communications
Customer
Information
Services
Complaints, Rates
& Facilities

MINISTRY OPERATIONAL OVERVIEW

Ministry of Energy Operational Overview

The Year in Review

The past year was an extraordinary one for Alberta—and brought unprecedented challenges to governments around the world. The year began on a strong note, with oil and gas prices moving towards an all-time high and continued robust growth in Alberta. By fall, the picture changed dramatically. Alberta, like the rest of the world, began to feel the effects of failing markets and plummeting energy prices. Alberta entered the recession in late 2008.

As a consequence of the global economic downturn, the Ministry of Energy was faced with shrinking resource revenues and decreasing industry activity. Oil prices that averaged $112.46 a barrel in April 2008 had dropped to an average of $48.06 a barrel in March 2009. Natural gas prices went from $8.11/GJ in April 2008 to $3.98/GJ in March 2009. The Department needed to respond to the challenges that came with such significant change in Alberta's economic landscape, as well as to other increasing pressures—most notably, the growing issue of climate change.

The Ministry responded to the challenges by taking a good look at the big picture. It was clear that immediate action needed to be taken to tackle the current economic challenges, but it was just as important for the Department to continue looking at the horizon and keep taking the necessary steps to position our province for overall success in the future.

In December 2008, Alberta released its provincial energy strategy. *Launching Alberta's Energy Future: Provincial Energy Strategy* outlines a long-term action plan for Alberta to achieve ongoing success. It includes an energy vision for the province, central outcomes to be achieved and a series of levers that will be used to reach these goals. In the 2009-12 Business Plan, the Department updated its core businesses, goals and performance measures in response to the strategy, and began developing an implementation plan to guide work on strategy initiatives over the short, medium and long term.

Ministry Highlights for 2008-09

(additional details can be found in the Results Analysis section)

While the Provincial Energy Strategy serves as a blueprint for Alberta's energy future, it also links with the broader goals of government as resource development continues and the province works to reduce greenhouse gas emissions, decrease our carbon footprint and ensure Albertans continue to enjoy a high quality of life.

To that end, the Department also put its focus on supporting the development of a Land-use Framework, managing the cumulative effects of resource development and ensuring environmentally responsible development for decades to come.

The three outcomes of the Provincial Energy Strategy will support Alberta's success in this future. Over the past year, the Ministry of Energy made significant progress as it worked to achieve clean energy production, wise energy use and sustainable economic prosperity. Following are some of the highlights.

Clean Energy Production

Clean energy is critical to the future of the energy sector in Alberta. It is true that renewable energy resources play an increasingly important role in Alberta's energy future and, in fact, Alberta is a leader in wind power with almost three times the national average of electricity generation capacity from wind power. However, renewables are not yet at a place where they can meet energy demand. Fossil fuels are abundant in Alberta and their infrastructure is already up and running.

Alberta can make a real world-leading contribution in the area of clean hydrocarbons.

In spring of 2008, government appointed the Carbon Capture and Storage Development Council to design a blueprint for government to consider how to best implement Carbon Capture and Storage (CCS) in Alberta. Led by former Syncrude president Jim Carter, the Council tackled many challenges surrounding implementing a new technology including regulatory and governance issues, long-term technology needs and infrastructure requirements.

In July 2008, the Government of Alberta announced a $2-billion commitment for steel-in-the-ground CCS projects. In November 2008, the Department announced Full Project Proposals for CCS projects. Proposals were received for evaluation on March 31, 2009. Bill 14, the *Carbon Capture and Storage Funding Act,* was introduced and passed in the 2009 Spring Session. Alberta's $2 billion is one of the world's largest financial commitments to CCS and the projects selected are expected to be injecting four to five megatonnes of CO_2 annually by 2015. Alberta plans to share its knowledge with the world and make Alberta a leader in this emerging technology which is being pursued world-wide.

Other strategies to achieve clean energy production include the Nine-Point Bioenergy Plan, which established $239 million in funding in 2007-08 to promote development of capacity, markets and production for bioenergy, including biofuel, biogas and bioelectricity. In 2008-09, programs under the Bioenergy Plan were extended from the original expiry of March 2009 to March 2011.

Over $107 million has been allocated to 68 grant agreements under the plan between 2007 and March 2009. This amount includes over $47 million allocated to 20 agreements which received funding approval in 2008-09.

In December 2008, the Alberta government announced the Renewable Fuels Standard (RFS). Alberta's RFS will require an average annual blend of two per cent biodiesel in diesel fuel and five per cent bioethanol in gasoline fuel placed in the Alberta market, starting July 2010. While some other provinces have already introduced a provincial RFS, Alberta is the first province to require that biofuels supporting the RFS demonstrate a greenhouse gas emissions reduction of 25 per cent or more, compared to the equivalent fossil fuel. The Alberta RFS would reduce CO_2 emissions by about one million tonnes; the equivalent of removing about 260,000 vehicles from the road each year. Stakeholder consultation to develop an RFS regulation commenced in February 2009.

The Government of Alberta also recognized that the contributions of clean energy production go beyond fossil fuels and hold benefits for Alberta's electricity system. In addition to its advancement of carbon capture and storage technologies that can support clean thermal power generation, Alberta adopted a policy to build electrical transmission into zones of renewable energy. It also began public engagement on the potential use of nuclear energy as part of its electricity system.

The Government of Alberta also recognizes that Alberta's unprecedented growth over the last decade is putting pressure on our landscapes. In response to this issue, the government publicly released the Land-use Framework (LUF) for the Province in December 2008. The LUF identified a number of key strategies to improve land-use decision making in Alberta, including the development of seven regional plans; creation of a Land-use Secretariat (LUS) to lead implementation of the framework; and adoption of a cumulative effects approach to manage the impacts of development. Developing regional plans for the Lower Athabasca and South

Saskatchewan regions, and legislation to support implementation of the LUF were identified as two of the immediate priorities.

On December 18, 2008 the Government of Alberta announced the first Regional Advisory Council (RAC) under the Land-use Framework (LUF) for the Lower Athabasca Region (LAR). The 15-member council for the LAR includes a broad cross-section of interests. Its goal is to provide strategic advice to Cabinet on how to best develop the LAR. A final draft version of the regional plan is scheduled to be delivered to government by the end of 2009. The Lower Athabasca region is critical to the energy future of Alberta as approximately 65 per cent of Alberta's bitumen reserves are located in the region.

One of the Government of Alberta's key cross-ministry initiatives was to create a plan for developing Alberta's oil sands that outlines long-term strategies as well as immediate actions to address economic, social and environmental challenges and opportunities in the oil sands regions. Alberta Energy worked with 20 other ministries under the leadership of the Treasury Board Oil Sands Secretariat to develop *Responsible Actions: A Plan for Alberta's Oil Sands* that was publicly released February 12, 2009.

Responsible Actions also builds on existing Alberta government policies, programs and initiatives, particularly the Provincial Energy Strategy and Land-use Framework. The plan showcases current efforts such as Carbon Capture and Storage, Bitumen Royalty-In-Kind (BRIK), and value-added. This plan also strengthens the approach for land reclamation, cumulative effects management and environmental conservation.

This year, the Department is working with the Treasury Board Oil Sands Secretariat and other ministries to develop a comprehensive implementation plan that will address how the many elements of the oil sands strategic plan will be delivered.

Wise Energy Use

The Alberta government acknowledges that energy efficiency is a key approach to addressing climate change. The Department of Energy continues to support the Provincial Energy Strategy's second outcome, wise energy use, through its work across government and with industry.

The Alberta government developed and supported energy efficiency programs, including creating better public awareness and understanding of climate change and encouraging the implementation of energy consumption management programs so that consumers can both see and work to reduce their consumption.

The Department of Energy continued to work with the Department of Environment to develop energy efficiency policy and legislation. The policy will guide government, industry and the public in regulating itself in order to maximize the efficient use of energy. The Energy Efficiency Policy Framework is expected to be completed in 2009.

In May 2008, the Alberta government partnered with the energy industry associations to promote best practices to reduce energy consumption and greenhouse gas emissions during oil and gas extraction. The Fuel Gas Best Management Practices initiative is a huge opportunity for industry to save energy, money and reduce greenhouse gas emissions. The Department of Energy continues to monitor the progress of industry's adoption of these best management practices.

Sustainable Economic Prosperity

Over the past year, the Alberta government continued to focus on sustaining Alberta's economic prosperity, another outcome identified in the Provincial Energy Strategy.

For example, following a comprehensive, independent review of Alberta's royalty regimes during the 2007-08 fiscal year, the Alberta Royalty Framework took effect in January 2009.

The Framework revised royalty regimes for conventional oil and gas into a single sliding scale based on production, productivity and prices while the oil sands royalty regime has a sliding royalty rate based on price.

Another key component of the Framework was a commitment to enter into negotiations with Suncor and Syncrude to align their oil sands Crown agreements with the new Framework. Suncor reached agreement with the province during the 2007-08 fiscal year. On November 18, 2008 the Government of Alberta and the Syncrude joint venture owners reached an agreement that will see the owners pay $975 million in additional royalties beginning in 2010 through 2015.

The slumping global economy in late 2008 and early 2009 seriously impacted access to financial credit by exploration firms, potentially reducing drilling activity. To mitigate the anticipated reduction in drilling activity that supports future production and resulting resource revenues, the province announced implementation of incentive programs to stimulate drilling activity and provide support for reclamation of old wells. These include a drilling credit which provides production benefits based on 2008 production numbers; a new well incentive program which offers a maximum five per cent royalty rate for up to 12 months on wells that begin producing conventional oil or natural gas between April 1, 2009 and March 31, 2011; and a one-time investment of $30 million in the province's orphan well fund.

The Alberta government also continued to explore new opportunities for further value-added development in the province in the oil, gas and petrochemical sectors. As part of the Royalty review, the Government of Alberta proposed to take raw bitumen in lieu of cash royalties as it does for conventional oil. The strategy is known as Bitumen Royalty-in-Kind or BRIK. The government requested and evaluated expressions of interest from industry proposing how the Alberta government's available bitumen volume can be used for upgrading and other value-added activities.

Also as part of the Royalty review, the Alberta government introduced transitional royalty rates for companies that drill conventional oil and gas wells after January 1, 2009 to a depth of 1,000 and 3,500 metres. The transition rates acknowledged that smaller oil and gas companies simply do not have access to credit or investment funds to finance new exploration as they have in the past. The rates, only available to new wells, promote exploration and development, which might otherwise not go ahead.

And while 2008 saw several oil sands projects reduce spending or defer investment decisions due to the economic downturn, the Ministry is starting to see a restart in activity, thanks to improving oil markets and costs that are better under control.

Over the last year, the vast potential of unconventional gas in Canada and the United States has created a fundamental shift in North America's natural gas industry. Unconventional natural gas production in the U.S. has increased significantly, which has contributed to lower North American natural gas prices. This increase in production happened quickly—in a matter of one to two years—and it is because the U.S. industry has discovered the technology to unlock the country's enormous shale gas resources.

Developments south of the border are having a significant impact on Alberta. Some industry members are looking to the U.S. shale resource as both an investment opportunity and as an opportunity to learn techniques that may apply to Alberta.

The Ministry is examining conventional and unconventional gas and the extent of its potential as they will be very important contributors to Alberta's energy resource mix and an important driver of Alberta's prosperity in the long term. Government is also undertaking an Investment Attractiveness Status Report, which involves a full analysis of all factors a company would take into account before investing in Alberta. Alberta will examine how to respond to the challenges of unconventional gas as part of this review.

Core Businesses

The Alberta Crown owns 81 per cent of the province's mineral rights. The Ministry of Energy manages development of these resources on behalf of the people of Alberta. The remaining 19 per cent are owned by individuals and companies or by the federal government in National Parks or on behalf of First Nations.

The Ministry of Energy has responsibility for a diverse resource development and commodity portfolio that includes natural gas, conventional oil, oil sands, coal, minerals, petrochemicals and electricity. This portfolio is supplemented by the promising emergence of a renewable energy sector, which includes wind, bio-energy, solar and hydro generated electricity.

Over the past year, the Alberta government developed a number of polices to address challenges surrounding energy development in Alberta as well as position the province for future success. In addition to policies, the Department has five core businesses. The Ministry adjusted all core businesses and goals in the 2009-12 Business Plan to align better with the new energy strategy, so after this annual report, these five existing core businesses will not exist.

These core businesses are:

1. Securing Benefits for Albertans – Secure Albertans' share and benefits from energy and mineral resource development.

This core business includes all Department operations involved in the calculation, assessment, collection, and audit of royalties, freehold mineral taxes and other revenue from the energy and mineral industry. It includes all Alberta Petroleum Marketing Commission operations related to the marketing and sale of the Crown's in-kind oil royalty share. The core business also includes the Department's analysis and review of existing royalty features and systems and the development of revised or new royalty policy and features. It also includes tenure operations involved in the disposition of Crown mineral rights, including: the posting and sale of oil sands, petroleum and natural gas, and other mineral rights; issuing and maintaining mineral rights agreements; reviewing well licenses and oil sands projects; and, handling transfers and continuations of leases.

2. Resource Development – Ensure Alberta's energy and mineral resources remain accessible, competitive and attractive to investment and development.

This core business includes all Department operations involved in managing the development of Crown energy and mineral resources and attracting investment. It includes work undertaken to promote development in Alberta, maintain access to the resources, and encourage development of new technologies, new sources of energy (including renewables) and energy efficiency and conservation. It also involves monitoring and assessing the competitiveness of Alberta's energy and mineral development policies to ensure Alberta continues to attract investment.

3. Energy for Albertans – Ensure Alberta consumers have a choice of reliable and competitively priced energy.

This core business includes all Departmental operations related to policy and market (wholesale and retail) design for electricity as well as retail market design for natural gas. The aim is to provide an efficient, competitive marketplace that maintains reliable energy supplies and provides fair and equitable prices to consumers. It also includes the Department's involvement with consumer energy efficiency, conservation and demand management.

4. Regulation of Energy Development by the Energy Resources Conservation Board – Ensure that the discovery, development, and delivery of Alberta's energy resources take place in a manner that is fair, responsible, and in the public interest.

This core business covers the regulation of the development and delivery of energy resources in Alberta. It also applies technical standards for the safe and reliable operation of energy facilities, while having regard for social, economic, and environmental effects. The ERCB conducts inspections to ensure compliance with regulations and provides geoscience information and expertise needed by government, industry, and the public.

5. Regulation of Utility Development by the Alberta Utilities Commission – Ensure that the development and delivery of Alberta's energy utilities take place in a manner that is fair, responsible and in the public interest.

This core business involves regulatory oversight of the province's investor owned electric,[2] natural gas and water utilities, and its wholesale electricity and natural gas markets, to ensure Albertans receive reliable service at just and reasonable rates. This oversight also ensures that owners of regulated utilities are given the opportunity to recover their costs and earn a fair return on their investment.

It also includes responsibility for timely decisions on applications advocating need for electricity transmission facilities, as well as those detailing the siting and specifics of natural gas and electricity transmission facilities, and power plants. When considering facility applications for power plants, utility gas pipelines and electricity transmission facilities, the AUC must ensure these facilities are in the public interest bearing in mind social, economic and environmental considerations. The AUC is also responsible for approving changes to the rules of the Alberta Electric System Operator and for adjudication of market and operational rule contraventions received from the Market Surveillance Administrator.

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[2] The AUC also regulates electric utilities owned by the City of Edmonton and the City of Calgary.

Ministry – Prices, Revenue, and Production

2008-09 saw dramatic changes in the price of natural gas and crude oil from very high prices early in the year to very low in the last two months as prices reflected the growing impact of the worldwide recession. The impact of the recession on commodity prices and industry activity will be most keenly felt in 2009-10.

Despite the drop in prices at the end of the 2008-09 fiscal year non-renewable resource revenues increased by eight per cent to $11.9 billion. Higher revenues were the result of high natural gas and oil prices during the first half of the year. Natural gas royalties accounted for 49 per cent of revenues and conventional crude oil and oil sands accounted for 40 per cent. These revenues represented about 33 per cent of total provincial government revenues in 2008-09.

Industry activity also reflected declining prices in the latter part of the fiscal year. While upstream oil and gas industry investment was an estimated $37.8 billion in 2008, drilling activity declined during the year as did bonuses and sales of crown leases, both as a result of declining prices.

In June the ERCB issued the annual report *ST98-2009: Alberta's Energy Reserves 2008 and Supply/Demand Outlook 2009-2018*, which details the supply of and demand for the province's diverse energy resources. All of the following numbers and statistics are from the ST98 report unless otherwise stated, and all revenue numbers are from the Department financial statements.

Natural Gas and Crude Oil Prices

2008-09 was characterized by higher than expected natural gas and oil prices during the first five months of the year followed by declining prices in the last seven months, particularly in February and March of 2009. Similarly monthly average oil prices (WTI US$/b) reached a high of $134.02 for June 2008 declining to a low of $39.26 for the month of February 2009. In terms of daily oil prices, the high of US$145.29/b was reached on July 3, 2008 while the low was US$32.87/b on December 19, 2008. Natural gas prices varied from a high of $9.84/GJ for July 2008 to a low of $3.98/GJ for March 2009. The drop in natural gas prices is due to the combination of decreased demand because of the recession as well as increasing supply due to innovations in producing shale gas in the United States. This resulted in a record storage level entering the 2009-10 fiscal year and the downward pressure on gas prices and gas drilling activity this created is expected to persist for at least the next fiscal year.

	Natural Gas Prices $/GJ[1]	Oil Price US$/b[2]
April 2008	8.11	112.46
May 2008	8.92	125.46
June 2008	9.81	134.02
July 2008	9.84	133.48
August 2008	7.35	116.69
September 2008	6.28	103.76
October 2008	6.27	76.72
November 2008	6.25	57.44
December 2008	6.36	42.04
January 2009	5.77	41.92
February 2009	4.66	39.26
March 2009	3.98	48.06
2008/09 Average	**6.97**	**85.94**

[1] Alberta Reference Price

[2] West Texas Intermediate (WTI) crude oil price – average price per month

Non-Renewable Resource Revenues

(Cdn $ millions)	2008-09	2007-08	2006-07	2005-06	2004-05
Natural gas and byproducts	5,834	5,199	5,988	8,388	6,439
Conventional crude oil royalties	1,800	1,655	1,400	1,463	1,273
Bonuses from the sale of Crown leases	1,112	1,128	2,463	3,490	1,252
Synthetic crude oil and bitumen	2,973	2,913	2,411	950	718
Rentals and fees	160	159	159	156	153
Coal	36	14	13	11	11
Alberta Royalty Tax Credit	-	-44	-174	-111	-102
Total Non-Renewable Resource Revenue	11,915	11,024	12,260	14,347	9,744
Freehold Mineral Tax	261	247	317	334	306
Other revenue*	183	142	136	116	98
Total Revenue	12,359	11,412	12,713	14,797	10,148
Expenses*	395	296	223	201	192
Net Ministry of Energy Revenue	11,964	11,116	12,490	14,596	9,956

* revenues and expenses are for the DOE, ERCB and the AUC

Non-renewable resource revenue for the year ending March 31, 2009 was $11.9 billion, an increase of $891 million from the previous year. Non-renewable resource revenue accounted for approximately 33 per cent of total government revenue during 2008-09.

Summary of Changes in Actual Revenue from Prior Fiscal Year

Natural gas and by-product royalty

(+$635 million)

The Alberta Gas Reference Price (ARP) averaged $6.97/GJ for the 2008-09 fiscal year, an increase of $1.05/GJ from the previous fiscal year's average. Although 21 per cent fewer conventional natural gas wells were drilled in 2008 and production declined compared to 2007, revenues increased by 12 per cent to $5.83 billion as a result of high natural gas prices in the first half of the year.

Crude oil royalty

(+$145 million)

The price of West Texas Intermediate (WTI) averaged US$85.94/barrel (bbl) during 2008-09, was US$3.69/bbl higher than the previous fiscal year. Although conventional oil production declined from 2007 to 2008, revenues increased as a result of high prices in the first half of the year.

Oil sands royalty

(+$60 million)

The province collected a record $2.97 billion in revenues for the 2008-09 fiscal year due to the higher oil price. This figure exceeds the previous year's revenues by $60 million.

Bonuses from the sale of crown leases
(-$16 million)

For the 2008-09 fiscal year, bonuses from the sale of crown leases resulted in the collection of $1.11 billion in revenues. The decline of $16 million is mainly due to the lower average price per hectare for oil sands mineral rights.

The average price per hectare paid at petroleum and natural gas rights sales during 2008-09 was $420.86, an increase from an average price of $350.52 paid during 2007-08. There was also an increase in the number of petroleum and natural gas mineral rights sold at auction, from 1,664,539 hectares in 2007-08 to 2,056,859 hectares in 2008-09.

At $149.34 per hectare, the average price per hectare paid for oil sands mineral rights during 2008-09 was 70 per cent lower than during the previous fiscal year. During 2008-09, 413,464 more hectares were sold at auction than during the previous year. This sale of 1,434,249 hectares netted approximately $214 million in revenues, less than half of the $502 million collected in 2007-08.

Freehold mineral tax
(+$14 million)

For the 2008-09 fiscal year, a total of $261 million was collected through the freehold mineral tax. This increase was mainly due to higher oil and gas prices.

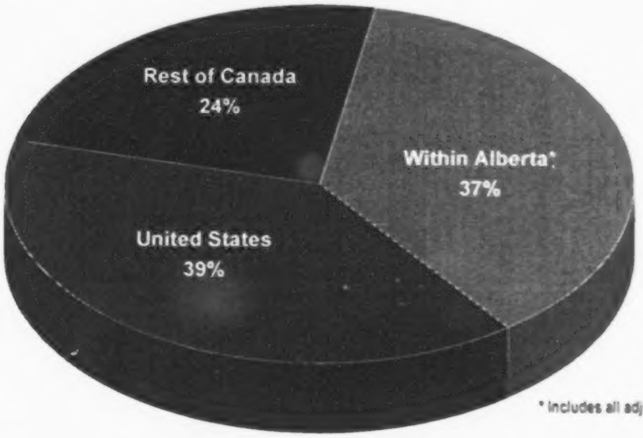
Natural Gas

For 2008-09, the Alberta Natural Gas Reference Price was $6.97/GJ, compared to an average price of $5.92/GJ the previous fiscal year.[1] The number of successful conventional natural gas wells drilled declined to 7,257 in 2008, 21 per cent lower than the 9,238 wells drilled in 2007.[2] Natural gas royalties accounted for 49 per cent of Alberta's non-renewable revenue in 2008-09.

Total marketable natural gas production including Coalbed Methane (CBM) decreased from 4.96 trillion cubic feet (Tcf) in calendar year 2007 to 4.70 Tcf in 2008. CBM production (excluding comingled gas) contributed 220 billion cubic feet (Bcf) in 2008, an increase from 78 Bcf in 2007.

Where does Alberta's Natural Gas Go?

Total Deliveries = 5.6 trillion cubic feet per year (2008)



* Includes all adjustment values

All of Alberta's international natural gas exports are destined for U.S. markets. In 2008, about 2.2 Tcf of natural gas was delivered to the United States, accounting for 39 per cent of the total 5.6 Tcf. About 24 per cent went to other Canadian provinces. The remaining 37 per cent (after factoring in adjustment values) was kept in Alberta, where it was used primarily for electricity generation and residential commercial heating. The 5.6 Tcf number for deliveries differs from the production number reported above due to storage and other factors.

Sources:

[1] Department of Energy, Economics and Markets

[2] Department of Energy

Conventional Crude Oil and Oil Sands

In 2008-09, Alberta's royalties from both conventional oil and oil sands amounted to about $4.77 billion, up from the $4.57 billion in 2007-08. Of the $4.77 billion, $2.97 billion was collected as oil sands royalties and $1.80 billion as conventional oil royalties. With both conventional oil and oil sands royalties increasing over the past year, the combined total accounted for 40 per cent of Alberta's total non-renewable resource revenue for 2008-09. At US$85.94 per barrel, the average oil price for the 2008-09 fiscal year was four per cent higher than in 2007-08.[3]

In 2008, Alberta produced 504,500 barrels per day (bbl/d) of conventional light, medium and heavy crude, plus an additional 136,000 bbl/d of pentanes and condensate.

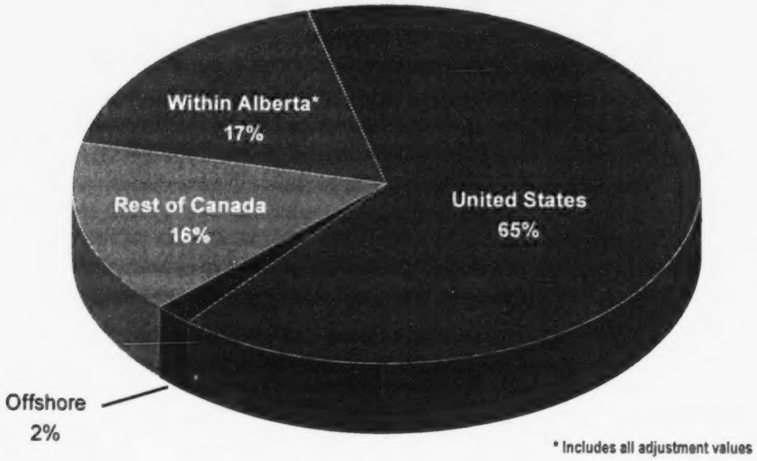
In 2008, crude bitumen production was 1.31 million bbl/d. This is a decrease from 2007 when production was 1.32 million bbl/d.

Of the total crude bitumen production in 2008, 1,186,000 bbl/d was marketable oil sands production, consisting of marketable bitumen and upgraded synthetic crude oil.

In 2008, total crude oil and equivalent production in Alberta was 1,827,000 bbl/d. This consisted of conventional light, medium and heavy crude oil, marketable oil sands, and pentanes and condensate.

Where does Alberta's Crude Oil Go?

Total Deliveries = 2.11 million barrels per day (2008)



* Includes all adjustment values

In 2008, 65 per cent of the 2.11 million barrels of crude oil per day were delivered from Alberta to markets in the United States.[4] About 16 per cent of the crude oil went to Saskatchewan, Ontario and British Columbia, while two per cent was exported offshore. The remaining 17 per cent (after factoring in adjustment values) was kept in the province, where it was refined into transportation fuels and other oil products to heat homes and buildings, generate electricity and manufacture lubricants, waxes, plastics, synthetic rubber and asphalt. The 2.11 million bbl/d of deliveries differs from the production number reported above due to storage and other factors.

Sources:

[3] The Department of Energy

[4] ERCB ST-3 Report

Wells Drilled & Licences Issued

In 2008, 16,837 well licences were issued, a decline of 2,760 from the previous year of 19,597.[5] Industry drilling decreased to 15,021 in 2008 from 16,702 wells in 2007. There were 19,298 wells drilled in 2006 and 20,384 wells in 2005.

Source:

[5] ERCB ST-59 Report

Coal

The current estimate for remaining established reserves of all types of coal is about 34 billion tonnes (37 billion tons). This massive energy resource continues to help meet the energy needs of Albertans, supplying fuel for about 59 per cent of the province's electricity generation in 2008. Alberta's coal reserves represent over a thousand years of supply at current production levels.

Alberta's total marketable coal production totalled 32.5 million tonnes in 2008, most of which was subbituminous coal destined for mine mouth power plants. About 20 per cent of Alberta's coal production was exported from the province in 2008, and can be separated into thermal coal exports and metallurgical coal exports. The export market for metallurgical coal remained strong due to continued, though reduced, demand in the Pacific Rim countries for steel production.

Electricity

In 2008, Alberta's strong economic growth continued to drive up electricity consumption. Peak demand increased by 105 MW, over the 2007 figure of 9,701 MW, to a new record high of 9,806 MW.[6] The total generation capacity was increased by 420 MW to 12,562 MW in 2008, of which 14 per cent is from renewable sources.

Source:

[6] Alberta Electric System Operator (AESO)

Minerals[7]

Royalty revenues for the 2008-09 fiscal year from the production of metallic minerals (gold, silver) and industrial minerals (dolomitic siltstone, limestone, sandstone, shale, silica sand and salt) was $567,760. This represents a 7.9 per cent increase in royalties received from the production of metallic minerals and a 20 per cent increase in the value received from industrial minerals production over the previous fiscal year.

The production of limestone, the single largest mineral commodity produced in Alberta, increased by 27.7 per cent over the previous year. Limestone is used in a wide range of products, from cement to fertilizer and in oil sands operations and landscaping.

During 2008-09, 5,065,592 hectares of mineral permits were issued to exploration companies, up from 4,201,259 hectares in 2007-08.

During the 2008 field season, preliminary estimates for diamond and uranium exploration programs accounted for approximately $11.8 million of the $22.1 million in total mineral exploration and deposit appraisal expenditures in Alberta.[8]

Sources:

[7] Department of Energy

[8] Natural Resources Canada Preliminary Estimates, June 2009.

Expense by Core Business

Financial Resources (thousands of dollars)	
Planned Spending (Estimates)	$402,797
Actual Spending in 2008/09	$394,800
Actual Spending in 2007/08	$293,151

2008/09 Ministry Spending by Core Business (in thousands)

(Operating Expense)	Spending (thousands)	% of Total
Core Business 1: Securing Benefits for Albertans - Secure Albertans' share and benefits from energy and mineral resource development	$54,990	14%
Core Business 2: Resource Development – Ensure Alberta's energy and mineral resources remain accessible, competitive and attractive to investment and development	$114,696	29%
Core Business 3: Energy for Albertans – Ensure Alberta consumers have a choice of reliable and competitively priced energy	$6,657	2%
Core Business 4: Regulation of Energy Development by the Energy Resources Conservation Board – Ensure that the discovery, development and delivery of Alberta's energy resources take place in a manner that is fair, responsible and in the public interest	$190,356	48%
Core Business 5: Regulation of Utility Development by the Alberta Utilities Commission – Ensure that the development and delivery of Alberta's energy utilities take place in a manner that is fair, responsible and in the public interest	$28,101	7%
TOTALS	**$394,800**	**100%**

Alberta Energy received $402.7 million in approved Planned Spending (Estimates) in 2008-09.

The total 2008-09 expenditures were lower than Estimates by $8.0 million, which was primarily due to the transfer of funds to capital.

The $99.2 million increase in actual spending during 2008-09 compared to 2007-08 was primarily the result of an increase in funding to the biofuel program and conservation and energy efficiency program.

Expense by Function

In accordance with the Government of Alberta accounting principles, Alberta Energy classifies its expenses into four functions. Each of these functions identifies the principal purpose for which Ministry expenditures are incurred.

Expense by Function by Dollars (in thousands)	2008/09 Budget (Estimates)	2008/09 Actual	Comparable 2007/08 Actual
Agriculture, Resource Mgmt and Economic Development	301,809	305,590	218,954
Transportation, Communications and Utilities	31,645	28,100	15,644
Environment	13,000	12,727	13,092
General Government	56,343	48,383	45,461
TOTAL MINISTRY	**402,797**	**394,800**	**293,151**

Overall, approximately 77 per cent of the Ministry's expenditures support the function of Agriculture, Resource Management and Economic Development. A significant amount of actual expenses for 2008-09 relate to ERCB spending ($190 million – 48.1 per cent). All activities exclude royalty collection activities.

MINISTRY RESULTS ANALYSIS

AUDITOR
GENERAL
Alberta

Review Engagement Report

To the Members of the Legislative Assembly

I have reviewed the performance measures identified as "Reviewed by Auditor General" included in the Ministry of Energy's *2008-09 Annual Report*. These performance measures are prepared based on the following criteria:

- Reliability – Information agrees with the underlying data and with sources used to prepare it.
- Understandability and Comparability – Actual results are presented clearly and consistently with the stated methodology and presented on the same basis as targets and prior years' information.
- Completeness – performance measures and targets match those included in Budget 2008. Actual results are presented for all measures.

My review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of enquiry, analytical procedures and discussion related to information supplied to me by the Ministry. My review was not designed to provide assurance on the relevance of these performance measures.

A review does not constitute an audit and, consequently, I do not express an audit opinion on these performance measures.

Based on my review, nothing has come to my attention that causes me to believe that the "Reviewed by Auditor General" performance measures in the Ministry's *2008-09 Annual Report* are not, in all material respects, presented in accordance with the criteria of reliability, understandability, comparability, and completeness as described above. However, my review was not designed to provide assurance on the relevance of these performance measures.

Original signed by Fred J. Dunn, FCA

FCA
Auditor General

Edmonton, Alberta
September 10, 2009

2008-09 Auditor General Performance Measure Review Process

In prior years, the Auditor General applied specified auditing procedures to all ministry performance measures included in the annual report. In the current year the Auditor General conducted a limited assurance (review) of selected performance measures that are identified in the annual reports as *"Reviewed by the Auditor General"*. The measures were selected for review by ministry management based on the following criteria established by government:

- ensuring measures that best represent the goal and mandated initiatives;
- measures have well established methodology and reporting of data;
- measures have outcomes over which the government has a greater degree of influence; and
- each goal has at least one reviewed performance measure.

The following performance measures were selected for review by the Office of the Auditor General, and are identified within the Results Analysis section:

- 1b - Audit adjustments to industry filing and reporting: Absolute adjustments as a percentage of Department resource revenue (three-year moving average)
- 4a - Ethane Demand in Alberta - (in barrels per day)
- 5a - Power generation - Margin between supply and peak demand
- 6b - Protection of Public Safety: Percentage of field inspections finding High Risk regulatory noncompliance
- 8b - Department Work Environment

Results Analysis

Core Business One: Securing Benefits for Albertans - *Secure Albertans' share and benefits from energy and mineral resource development*

This core business includes all Department operations involved in the calculation, assessment, collection, and audit of royalties, freehold mineral taxes and other revenue from the energy and mineral industry. It includes all Alberta Petroleum Marketing Commission operations related to the marketing and sale of the Crown's in-kind oil royalty share. The core business also includes the Department's analysis and review of existing royalty features and systems and the development of revised or new royalty policy and features. It also includes tenure operations involved in the disposition of Crown mineral rights, including: the posting and sale of oil sands, petroleum and natural gas, and other mineral rights; issuing and maintaining mineral rights agreements; reviewing well licenses and oil sands projects; and, handling transfers and continuations of leases.

Goal 1: Optimize Albertans' resource revenue share and benefits from the development of their energy and mineral resources over the long term

Albertans receive their share of energy and mineral resource development through royalties, rentals and bonuses paid by industry and collected by the Ministry. Alberta's resource development system is designed to capture a fair share of industry revenue from the development of provincial resources, while ensuring industry retains sufficient revenue to continue to invest in the future development of these resources. Other benefits from a strong energy industry include jobs, business opportunities, investment and innovative technologies and research.

Highlights and Accomplishments

- Implemented the Alberta Royalty Framework in January 2009. The Framework revised royalty regimes for conventional oil and gas into a single sliding scale based on production, productivity and price, while the oil sands royalty regime has a sliding royalty rate based on price.
- The Department of Energy has completed implementation of many of the recommendations made by the Auditor General and from the March 2008 Valentine report Building Confidence: Improving Accountability and Transparency in Alberta's Royalty System. Completion of all recommendations is expected in 2009-10. The Department has also taken a number of steps to improve public access and understanding of royalty information. Detailed information on royalty history, changes, calculations, current rates, FAQs, and incentive programs is available on Energy's website **www.energy.alberta.ca**. An annual EnergyEconomics: Understanding Royalties Report has been developed to explain the province's royalty system to Albertans. This report details the history and economics of the energy industry and the province's royalty system. The report can also be found online at **www.energy.alberta.ca/Org/pdfs/Energy_Economic.pdf**.
- Implemented significant enhancements to the Ministry's information technology systems to support the New Royalty Framework's related changes to the royalty structure for natural gas, conventional oil, and oil sands.
- Created a Joint Volumetric Steering Committee and Memorandum of Understanding with the Energy Resources Conservation Board to collectively achieve the appropriate level of assurance over accuracy and completeness of well and production data.

Performance Measure:

1.a Sharing the Revenue from Resource Development.

Target:

This measure is under review by the Department. Changes will reflect Alberta's New Royalty Framework.

Supplemental Information:

Previous measure results:	Year Ending December 31 Actual 2006	Last Actual 2007
Sharing the Revenue from Resource Development: Crown Revenue Share – portion of oil and gas industry's annual net operating revenue that is paid to the Crown as royalty (three-year moving average)[1]	19%	19%

Source: Canadian Association of Petroleum Producers (CAPP) and Alberta Department of Energy

Note: [1] This data aggregates results from conventional oil, natural gas, and oil sands royalties. It is intended to indicate overall performance and not the performance of individual royalty programs. The Alberta government also receives bonuses from the sale of Crown mineral rights. These are not included. Bonuses collected by the Department amounted to $2.46 billion in 2006-07.

Discussion of Results

The performance measure is under review, and previous results of the measure were included in the 2008-11 Business Plan as supplemental information. Changes to the measure will reflect Alberta's New Royalty Framework.

Performance Measure:

1.b Audit Adjustments to Industry Filing and Reporting

Target:

Audit adjustments to industry filing and reporting to be less than 2.0 per cent.

Results:

Reviewed by Auditor General	Actual 2006-07	Actual 2007-08	Year Ending March 31 Last Actual 2008-09
Audit Adjustments to industry filing and reporting: Absolute adujstments as a percentage of Department resource revenue (three-year moving average).[1]	2.0%	1.5%	1.3%

Source: Alberta Department of Energy.

Notes: The department audits industry filing and reporting information used to calculate non-renewable resource revenue to ensure it is complete and accurate. Audit adjustments are an indicator of industry's understanding of, and compliance with, the department's reporting requirements.

[1] The measure is based on absolute adjustments which reflect total error rates.

Discussion of Results

This performance measure assesses the compliance of industry with Alberta Energy's reporting requirements. The measure reports all adjustments whether they are in the Crown's or in industry's favour. The percentage of audit adjustments is used as an indicator to determine if industry misinterprets certain aspects of reporting, which leads to mistakes. The ultimate intent of the measure is to help identify the reason(s) for errors in industry reporting, which will enable the Department to assist the industry in improving its reporting and, if necessary, to re-evaluate guidelines for industry.

The most recent three-year average results indicate that the absolute value of audit adjustments is 1.3 per cent of associated resource revenue. The average annual absolute dollar value of adjustments arising from audits completed or processed for the three years ending March 31, 2009 was $130.0 million on an average annual resource revenue base of $10.4 billion. The average annual net dollar value of net adjustments for the same period was $48.2 million in the Crown's favour.

The absolute value of audit adjustments for the three-year period ending March 31, 2009 declined from the three-year periods ending March 31, 2008 and March 31, 2007. Significant areas impacting the results include:

- Natural gas and related byproducts – actual audit adjustments as a percentage of revenue are lower in 2008-09 than in 2005-06. This is the effect of a reduction in the value of audit adjustments processed combined with a significant drop in revenues from natural gas and related products in 2008-09 when compared to 2005-06. The reduction in the value of audit adjustments processed is believed to reflect more training provided to industry and more timely audits. The Department continues to focus on training industry filers in the requirements for calculating the Alberta Gas Reference Price and identify opportunities to reduce the complexity of the filing requirements.
- Synthetic crude and bitumen adjustments have declined as a percentage of related revenues due to a significant increase in revenues from synthetic crude and bitumen, which was partially offset by an increase in audit adjustments in the fiscal year ending March 31, 2009 in comparison to the fiscal year 2006.

Methodology

The Department, through its Compliance and Assurance Branch, audits industry filing and reporting information used to calculate non-renewable resource revenues to ensure that it is complete and accurate.

This measure tracks the absolute value of adjustments arising from audits conducted by the Department to information filed by industry in accordance with Department requirements. As such, it excludes any adjustments made by industry. This measure also excludes any adjustments arising from audits performed by the Energy Resources Conservation Board. The measure expresses the three-year moving average of the annual total absolute dollar value of audit adjustments as a percentage of the average reported resource revenues for that three-year period.

The absolute value of audit adjustments is the sum of all adjustments, both in the Crown's favour and in industry's favour and as such is an indicator of the total error rate. Audit adjustments are based on audits completed or processed in the Department's 2008-09 fiscal year and the two preceding fiscal years. Total adjustments include adjustments to the 2008-09 year filings, adjustments to prior years' filings (based on the 2008-09 year audit and subject to statutory limitations of the *Mines and Minerals Act, the Freehold Mineral Rights Tax Act* and the *Natural Gas Marketing Act*). Where applicable, total adjustments also include the estimated future impact of amendments. For the fiscal year ending March 31, 2009, this could include adjustments made to industry filings submitted from 2002 to 2008. Audit results have not been extrapolated over the entire population.

Audit adjustments are assessed for conventional crude oil, natural gas and byproducts, oil sands, coal and Freehold Mineral Tax revenues. The audit result is a measure of industry's understanding of and compliance with the Department's reporting requirements. The value of Crown royalty is influenced by commodity prices and production that are beyond the control of the Department. Resource revenues are based on the fiscal year revenues as reported in the Department's Annual Report.

Core Business Two: Resource Development - *Ensure Alberta's energy and mineral resources remain accessible, competitive and attractive to investment and development*

This core business includes all Department operations involved in managing the development of Crown energy and mineral resources and attracting investment. It includes work undertaken to promote development in Alberta, maintain access to the resources, and encourage development of new technologies, new sources of energy (including renewables) and energy efficiency and conservation. It also involves monitoring and assessing the competitiveness of Alberta's energy and mineral development policies to ensure Alberta continues to attract investment.

Goal 2: Maintain the competitiveness of Alberta's energy and mineral resources to attract investment in future energy development

Global demand for energy and growing recognition of Alberta's vast energy potential means increasing interest in Alberta as a place to invest in energy development. Alberta maintains competitive fiscal and regulatory regimes that are intended to attract industry investment and ensure that Albertans, the resource owners, benefit from resource development. Predictability, certainty, stability, and an efficient regulatory system combined with an extensive energy infrastructure and ready market access are all features that make Alberta a strong competitor for industry investment. The Ministry is the principal advocate nationally and internationally for Alberta's interests and rights to develop and manage energy and mineral resources.

Highlights and Accomplishments

- Provided support and policy analysis on improving Alberta's upstream oil and gas regulatory system and recommendations for implementation. These recommendations will be incorporated into the regulatory alignment and enhancement initiative designed to streamline the upstream oil and gas regulatory systems in support of the Government of Alberta's review of energy sector competitiveness.
- Participation by Minister Knight, Parliamentary Assistant Len Webber and senior Department of Energy officials in priority intergovernmental and international conferences, including the 19th World Petroleum Congress; annual Council of Energy and Mines Ministers Conference; quarterly Energy Council meetings; and Pacific Northwest Economic Region (PNWER) meetings. Minister Knight accepted the Aspen Institute's Energy and Environment's Government Award which recognized Alberta for work on Carbon Capture and Storage (CCS) technology.
- Advocated successfully for Receipt Point Extraction Rights before the EUB to encourage and attract northern gas development and expansion of the Alberta Hub, in addition to increasing transparency in Natural Gas Liquids (NGL) extraction.
- Avoided a regulatory gap in the transition of NOVA Gas Transmission Ltd. (NGTL) from provincial to federal jurisdiction, and ensured that reporting requirements for royalty purposes were endorsed by the National Energy Board (NEB).
- Ensured that existing policies and approvals, including approval of the North Central Corridor Pipeline, were recognized by the National Energy Board.

Performance Measure:
2.a Resource Development

Target:
Annual industry investment in the upstream oil and gas industry will be in the $20 to $26 billion range.

Results:

	Year Ending December 31		
	Actual 2005	Actual 2006	Last Actual 2007[1]
Resource Development			
Upstream industry investment in Alberta – Annual capital expenditure in Alberta on exploration and development of oil, oil sands and gas resources[2]	$32.8 billion	$37.7 billion	$37.7 billion

Source: Statistics Canada, Private and Public Investment in Canada (PPI) publications

Notes: [1] The Private and Public Investment publication is reported two years behind.

[2] The data source for this measure has been revised, and is now based on data from Statistics Canada's Private and Public Investment (PPI) publications. The results do not include bonuses from the sale of mineral rights.

Discussion of Results
Continued investment in Alberta's energy sector demonstrates the competitiveness and attractiveness of resource development in Alberta. The Department has the ability to influence industry's investment decisions through the royalty and tax regime, approval processes, land and market access and regulatory environment. The Department maintains a fiscal regime which is intended, over the long term, to encourage continued development of Alberta's energy resources and collect a share of the resource development profits.

The most current actual investment data is for the 2007 calendar year. In 2007, the total investment in Alberta's oil and natural gas industry, including the oil sands, was $37.7 billion. This accounted for about 81 per cent of Canada's total oil and natural gas industry spending of $46.8 billion. Even though investment in Alberta's upstream oil and gas industry was essentially unchanged from the 2006 levels, the composition of conventional oil and gas and oil sands did vary. In 2007, Alberta's conventional oil and natural gas investment decreased by 18 per cent to $20.85 billion from its 2006 level of $25.42 billion, primarily due to a reduction in drilling. Oil sands investment in Alberta set a record in 2007, reaching $16.82 billion, a 38 per cent increase over the 2006 level of $12.23 billion. This increase was primarily driven by an increase in investment in oil sands upgraders, which helped to balance the decline in conventional oil and gas investment.

Albertans benefit from industry investment through jobs, business opportunities, taxes paid to all levels of government and resource revenues. Industry investment is driven largely by commodity prices over which the Department has no influence. However, investment is affected by a number of other considerations, such as cash flow, exploration and labour costs, royalty rates, corporate tax rates, regulatory and approval processes including land access, environmental impacts, infrastructure (highways, housing) and access to refining, upgrading, pipelines and markets.

Methodology
Private and Public Investment data is used as a source for the capital expenditure data in the Resource Development performance measure. This source offers the Department an advantage, since the data is taken directly from a comprehensive national publication, which reports investment for all sectors and industries in Canada for which data is available. PPI reports investment data for each province and territory, and for Canada as a whole. By relying on the PPI as a source, the Department can conduct methodologically consistent comparisons between investment in Alberta's upstream oil and gas industry and other industries.

Goal 3: Secure future energy supply and benefits for Albertans, within a growing and competitive global energy marketplace

Alberta has long enjoyed an abundant supply of oil and natural gas. In the future, new sources of energy will be developed to ensure Alberta has a continued supply of energy to meet growing Alberta and global demand. New energy sources represent the future and include expanded oil sands production, clean burning coal technologies, coalbed methane and the development of renewable energy sources (wind, hydro, biofuels). There is also significant potential to improve the recovery of existing conventional resources remaining in the ground through technologies such as CO_2 injection. Maintaining resource access is essential for future energy development and the Ministry works within the province's framework of sustainable development to maintain or enhance resource exploration and development opportunities in a responsible manner that protects the environment and public safety.

Highlights and Accomplishments

- Released *Launching Alberta's Energy Future: Provincial Energy Strategy*, which outlines a long-term action plan for Alberta to achieve clean energy production, wise energy use and sustained economic prosperity. The report can be found online at: **www.energy.alberta.ca/Initiatives/strategy.asp**.
- In 2008, the Minister of Energy appointed four experts to a Nuclear Power Expert Panel tasked with gathering information and presenting facts on nuclear energy. The expert panel released its report in March 2009. From the report, a multi-faceted nuclear consultation was developed and announced including a workbook and survey open to all Albertans, random discussion group meetings, stakeholder meetings and a public opinion survey.
- The Ministry led a joint industry and government Fuel Gas Efficiency Committee, which began analyzing fuel gas consumption trends in upstream natural gas processing to establish benchmarks to help determine if fuel gas use is increasing or decreasing. Best Management Practices were released to facilitate the use of best practices for fuel gas efficiency in upstream natural gas processing. Potential opportunities to include the Best Management Practices in related education programs in Alberta were also examined.
- Launched the Carbon Capture and Storage Development Council in April 2008 in response to a commitment made under Alberta's 2008 Climate Change Strategy. Released the Carbon Capture and Storage Development Council's interim report on October 22, 2008.
- Announced the intention to provide $2-billion to support demonstration projects and advance carbon capture and storage (CCS) technologies in Alberta in July 2008. Reviewed the CCS Expression of Interests and invited 20 companies to submit Full Project Proposals by March 31, 2009.
- Received the Aspen Institute Energy and Environment Government Award in March 2009 for Alberta's Carbon Capture and Storage Initiative. The award recognizes and rewards excellence for those making a real contribution to innovation, implementation, and communication of energy and environmental solutions.
- Supported development of the Land-use Framework (LUF) for the Province, which sets out an approach to manage public and private lands and natural resources to achieve Alberta's long-term economic, environmental and social goals. The Framework was publicly released in December 2008.
- Supported development of Bill 36, the *Alberta Land Stewardship Act*, 2009 (ALSA). This Act is a priority under the LUF and is the legislative framework to deliver regional planning in Alberta within a cumulative effects management framework.

- Supported the development of *Responsible Actions: A Plan for Alberta's Oil Sands*, led by the Oil Sands Secretariat.
- Participated in development and implementation of several plans for caribou recovery.
- Provided policy and resource analysis while participating in the development of the Fort McMurray Community Development Plan, led by the Oil Sands Sustainable Development Secretariat, to address pressures in Fort McMurray associated with oil sands development.

Performance Measure:

3.a Energy Resource Portfolio Diversification

Target:

Additional production.

Results:

Year Ending December 31

	Actual 2006	Actual 2007	Last Actual 2008
Energy Resource Portfolio Diversification: Production from new sources or extended production from existing sources			
Oil Production (thousands of bbl/d):			
Extended Oil Recovery (incremental)[1]	157[2]	158[2]	161
Oil sands[3]	1,126	1,185[4]	1,186
Natural Gas Production (Bcf/yr):			
Coalbed Methane[5]	42	78	220
Electricity Generating Capacity (MW)[6]			
Cogeneration[7]	3,391	3,590	3,895
Renewables[7]	1,604	1,743	1,743*

***Last Actual 2008 has been corrected to 1,743 from 1,703 on February 12, 2010.**

Sources: Alberta Department of Energy, Energy Resources Conservation Board.

Note: This measure reflects the need for increasing diversification of Alberta's energy resource portfolio to meet future energy demands.

[1] Includes all Ministry programs aimed at extending the productive life of conventional oil fields.

[2] Extended Oil Recovery data for 2006 and 2007 have been restated due to retroactive adjustments.

[3] Oil sands production includes synthetic crude oil and marketable bitumen.

[4] In the 2007-08 Annual Report, the marketable oil sands production for 2007 was reported at 1,184 thousand barrels per day (bbl/d). It was changed to 1,185 thousand bbl/d, due to the revision of production data from one of the synthetic crude oil (SCO) producers.

[5] Coalbed Methane (CBM) reported here is an estimate of natural gas directly from coal seams and does not include commingled natural gas from other sources. As a result, the 2006 number differs from what was reported in the 2008-11 Business Plan. Total gas production from wells with commingled conventional gas and CBM production in 2008 was 284 billion cubic feet (Bcf). Coalbed methane production from these wells was 220 Bcf.

Previously, the Coalbed Methane production data was presented in trillion cubic feet per year. It is now reported in billion cubic feet per year. There have been no retroactive data adjustments for 2006 and 2007.

In 2008, a correction to the historical CBM cumulative production, mainly from unidentified CBM wells, resulted in a change in cumulative production of 475 Bcf whereas annual production was 220 Bcf. The correction in cumulative volumes for 2008 more than doubles the CBM-only volume due to additions of historical wells, as noted in ST109.

[6] Both Cogeneration and Renewables generation include biomass. Since the measure demonstrates contributions from cogeneration and renewable sources, these should not be added to determine total generating capacity in Alberta.

[7] Cogeneration and Renewables data for 2006 and 2007 has been restated due to data refinements reported by plant operators. As a result, the 2006 number differs from what was reported in the 2008-11 Business Plan.

Discussion of Results

This measure tracks a portfolio of new and extended sources of energy which reflect an increasing diversification of energy resource development in Alberta. The Department influences development in order to meet future energy demands through royalty features that encourage improved resource recovery, the development of new energy sources, or the application of new technologies.

In 2008, incremental Extended Oil Recovery (ExOR) represented about 32 per cent of Alberta's total conventional crude oil production of 505 thousand barrels per day (bbl/d). Programs that encourage ExOR benefit Albertans through resource royalty, employment and business opportunities, and taxes at the local, provincial and federal levels.

Marketable oil sands production consists of synthetic crude oil (SCO) and marketable bitumen. Total marketable oil sands production in 2008 was virtually unchanged from the 2007 levels; it increased by about 1.4 thousand barrels per day (bbl/d). However, the composition of SCO and marketable bitumen in the production total underwent changes from 2007 to 2008. SCO production declined by about 35 thousand bbl/d; it was counterbalanced by an increase in the marketable bitumen production of about 36.5 thousand bbl/d.[3]

The decrease in SCO production was due to the reduction in total mined bitumen production from 2007 to 2008. All mined bitumen produced in Alberta is sent for upgrading to SCO. While a portion of in-situ bitumen produced in Alberta was sent for upgrading to SCO in 2008, this was not sufficient to make up for the decline in mined bitumen production.[4] From 2007 to 2008, mined bitumen production declined for all three major producers in Alberta. In the case of one producer, the production declined due to two coker turnarounds and an operational upset; in the case of another, the decline resulted from maintenance activities in the upgrading and extraction facilities; in the case of the third one, production fell primarily due to the execution of the mine tailings management plan.[5] The fourth mined bitumen producer started production in 2008, but produced relatively small volumes.

However, total in-situ bitumen production in Alberta increased from 2007 to 2008, from 536 thousand bbl/d to 584 thousand bbl/d.[6] With the decline in mined bitumen production and an increase in in-situ bitumen production, the share of marketable bitumen in Alberta's total marketable oil sands production increased from 2007 to 2008.

The Coalbed Methane (CBM) production number quoted in the performance measure represents an estimate of natural gas from only the coal seam, rather than total production from all CBM wells, which includes CBM-only and commingled gas. The production of natural gas from CBM-only wells increased from 78 billion cubic feet (Bcf) in 2007 to 220 Bcf in 2008.

In 2008, Alberta's electricity generation portfolio saw the addition of 305 megawatts (MW) of cogeneration. The 305 MW of new cogeneration energy was primarily accounted for by the fact that it is the economically preferred option for industrial purposes that require both electricity and useful heat.

Methodology

The performance measure highlights production from new and extended sources of energy.

Biomass in electricity production refers to biological material which can be used as fuel or for industrial production. Most commonly, biomass refers to plant matter (such as wood waste), but also includes plant or animal matter used for production of fibres, chemicals or heat. Biomass may also include biodegradable wastes that can be burnt as fuel.

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[3] The totals do not add up due to rounding.

[4] In 2008, total in-situ bitumen production was 584 thousand bbl/d, of which about 43 thousand bbl/d was sent for upgrading to SCO. However, total mined bitumen production declined from 2007 to 2008 by about 63 thousand bbl/d, or 8 per cent, from 785 thousand bbl/d to 722 thousand bbl/d. As a result, SCO production declined from 681 thousand bbl/d in 2007 to 646 thousand bbl/d in 2008.

[5] Information on the mined bitumen production decline for the three major producers was taken from the 2009 ERCB ST-98 Report; see pages 2-16 and 2-17 of the Report.

[6] Total in-situ bitumen production is different than total marketable bitumen production. Total marketable non-upgraded bitumen production excludes in-situ volumes, which are sent for upgrading. Total marketable bitumen production in 2007 and 2008 was 504 thousand bbl/d and 540 thousand bbl/d, respectively.

ExOR data is calculated by the Department. The total ExOR production figure, reported in the measure, is the sum of incremental production from specific Department programs aimed at extended recovery. The Extended Oil Recovery annual result, reported by the Department, is the sum of incremental oil production from four well programs and three project programs aimed at extended oil recovery. With the implementation of the Alberta Royalty Framework January 1, 2009, the four well programs were terminated. The Deep Oil Exploratory Well program was implemented on January 1, 2009, but it is too early to determine any incremental production at this time. Also, the CO_2 Projects Royalty Credit Program reached completion in 2008.

Oil sands and Coalbed Methane data is obtained from the Energy Resources Conservation Board.

Information regarding new electricity generation facilities connected to the Alberta Interconnected Electric System is available from the Energy Resources Conservation Board and the Alberta Electric System Operator. The installed capacity data reported in this measure is subject to amendment based on re-ratings as reported by facility operators.

Goal 4: Expand value-added energy development in Alberta

The Ministry encourages industrial integration and increased value-added resource upgrading in Alberta from renewable as well as non-renewable energy sources. There are new opportunities in bio-energy to sustain, develop and expand commercial bio-fuel production facilities in Alberta. Alberta will offer a diversified compliment of energy products to the marketplace further integrating renewable and non-renewables. Extracting the most value from our energy resources by increasing the level of processing secures additional benefits for Albertans. The oil sands provide considerable potential for new refining capacity, for petrochemical feedstock from upgrader off-gases and for a broader range of petrochemicals based on petroleum. These new opportunities, when combined with Alberta's natural gas liquid based petrochemical industry, create significant potential for more value-added development in Alberta.

Highlights and Accomplishments

- Collaborated with Finance and Enterprise to advance two value-added initiatives that were identified in the Provincial Energy Strategy and the Oil Sands Strategic Plan. This work included program design for implementation of bitumen royalty-in-kind and development of a bitumen processing Request For Proposal. It also included development of an integrated chemical cluster proposal in the Alberta Industrial Heartland region based on domestic feedstocks such as natural gas liquids and gasification of petroleum coke.
- Invested more than $17 million in grants to bioenergy projects located throughout the province to encourage the further expansion of Alberta's renewable energy sector. Economic activity that the grant programs and the Renewable Energy Producer Credit have helped stimulate is extensive, with approximately $750 million in new, private investment being earmarked on the strength of the province's commitment to renewable energy.
- In 2008, two applications for projects were approved under the Incremental Ethane Extraction Program (IEEP). The first project involves the installation of equipment and modification of existing processes at the Rimbey Gas Plant to optimize the extraction and removal of ethane. The expected in-service date is late 2009 and the estimated incremental ethane extraction level is 5,000 bpd (795 m^3/d). The second project is undertaking a construction project intended to increase the ethane recovery of existing extraction at the Empress V Plant. The expected in-service date is late 2009 and the estimated incremental ethane extraction level is 7,000 bpd (1,110 m^3/d).

Performance Measure:

4.a Ethane Demand in Alberta

Target:

60,000 – 85,000 additional barrels of ethane extracted per day over the next five years.

Results:

Reviewed by Auditor General

	Year Ending December 31		
	Actual 2006	**Actual 2007**	**Last Actual 2008**
Ethane Demand in Alberta – (in barrels per day)[1]	239,000	244,000	223,000

Source: ERCB ST-98, 2009

[1] Includes small volumes used for enhanced oil recovery.

Discussion of Results

Ethane is recovered mainly from the processing of natural gas. Gas processing plants in the field extract ethane along with propane, butanes, and pentanes plus as products or recover a Natural Gas Liquids (NGL) mix from raw gas production. NGL mixes are sent from these field plants to fractionation plants for the recovery of individual NGL specification products. Straddle plants recover NGL products from gas processed in the field.

All of the ethane extracted in 2008 was used in Alberta as feedstock to the extent that supply equalled demand. The drop can be attributed by many factors including a decreased amount of ethane extracted from natural gas (56 per cent extracted in 2008 as compared to 60 per cent in 2007), coupled with economic factors including the fact that ethane volumes extracted at Alberta processing facilities decreased in 2008. About 56 per cent of total ethane in the gas stream was extracted, while the remainder was left in the gas stream and sold for its heating value.

The petrochemical industry in Alberta is the major consumer of ethane recovered from natural gas, with four plants using ethane as feedstock for the production of ethylene. The Joffre feedstock pipeline allows for a range of feedstocks to be transported from Fort Saskatchewan to Joffre. These feedstocks supplement the ethane supplies now used at the petrochemical plants at Joffre, where three of the four ethylene plants are located. The fourth is located in Fort Saskatchewan.

The petrochemical industry in North America has been challenged in the last few years by high and volatile energy prices. Since ethane prices follow natural gas prices, feedstock costs have fluctuated throughout the years. Nonetheless, the Alberta ethylene industry has maintained its historical cost advantage for ethylene production compared to a typical ethane/propane cracker in the U.S. Gulf Coast.

Methodology

The demand for ethane is derived from the Industrial Development Permits (IDPs) from ethylene plants which must, on an annual basis, report the consumption of ethane as a feedstock to the ERCB. This source is used to determine the demand of ethane for the province of Alberta.

Performance Measure:

4.b Ethanol Production in Alberta

Target:

300 million litres by 2015

Results:

	Actual 2006	Actual 2007	Year Ending December 31 Last Actual 2008
Ethanol Production in Alberta – millions of litres	28	40	40

Source: Alberta Department of Energy

Note: 2006 and 2007 production capacity data is unchanged from the previous results.

Discussion of Results

Only one facility in Alberta has been producing ethanol from renewable material. Permolex Limited, owned by Permolex International, L.P., opened this facility in 1997. The capacity of the Permolex facility increased from 28 million litres of ethanol per year in 2006 to 40 million litres of ethanol per year in 2007. Production capacity did not change in 2008.

The Biorefining and Commercialization and Market Development Program (BCMDP) and the Bioenergy Infrastructure Development Program (BIDP) provide grants to support development of bioenergy production capacity and infrastructure. If all ethanol production projects funded under these programs were successfully implemented, Alberta would have an annual capacity of over 800 million litres. Therefore, the 300 million litre annual production capacity target for ethanol in Alberta is still considered achievable.

The Bioenergy Producer Credit Program (BPCP) offers a bioenergy producer credit of up to $0.14 per litre of biofuel as an incentive for production in Alberta.

The Alberta government's December 2008 announcement of a Renewable Fuels Standard (RFS) includes a requirement for an average annual blend of five per cent ethanol from renewable sources in gasoline fuel consumed in Alberta. The RFS, which takes effect July 2010, is intended to help create a local market for biofuels while reducing greenhouse gas emissions from transportation fuels.

Methodology

Production capacity results are based on public information published by Permolex International, L.P.

Actual production is reported to the Department of Energy on monthly invoices filed by companies under the Bioenergy Producer Credit Program (BPCP) in order to validate the amount of credit claimed under the program for bioenergy production. Production data for Permolex, and any new ethanol facilities which qualify under the BPCP, will continue to be collected until the program ends in March 2011. This data includes production for both Alberta and export markets.

Performance Measure:
4.c Biodiesel Production in Alberta

Target:
700 million litres by 2015

Results:

	Actual 2006	Actual 2007	Year Ending December 31 Last Actual 2008
Biodiesel Production in Alberta – millions of litres	0	0	19

Source: Alberta Department of Energy

Discussion of Results
The first commercial production of biodiesel in Alberta occurred in 2008. When the performance measure was first introduced in the 2008-11 Business Plan, there was no biodiesel production in Alberta.

The Biorefining and Commercialization and Market Development Program (BCMDP) and the Bioenergy Infrastructure Development Program (BIDP) provide grants to support development of bioenergy production capacity and infrastructure. If all biodiesel production projects funded under these programs were successfully implemented, Alberta would have an annual capacity of over 1.2 billion litres. Therefore, the 700 million litre annual production capacity target for biodiesel in Alberta is still considered achievable.

The Bioenergy Producer Credit Program (BPCP) offers a bioenergy producer credit of up to $0.14 per litre of biofuel as an incentive for production in Alberta.

The Alberta government's December 2008 announcement of a Renewable Fuels Standard (RFS) includes a requirement for an average annual blend of five per cent ethanol from renewable sources in gasoline fuel consumed in Alberta.

Methodology
Actual production is reported to the Department on Energy on monthly invoices filed by companies under the Bioenergy Producer Credit Program (BPCP) in order to validate the amount of credit claimed under the program for bioenergy production. Production data for Western Biodiesel, and any new biodiesel facilities which qualify under the BPCP, will continue to be collected until the program ends in March 2011. This data includes production for both Alberta and export markets.

Core Business Three: Energy for Albertans - *Ensure Alberta consumers have a choice of reliable and competitively priced energy*

This core business includes all Departmental operations related to policy and market (wholesale and retail) design for electricity as well as retail market design for natural gas. The aim is to provide an efficient, competitive marketplace that maintains reliable energy supplies and provides fair and equitable prices to consumers. It also includes the Department's involvement with consumer energy efficiency, conservation and demand management.

Goal 5: Maintain a competitive market framework that provides Albertans with competitively priced and reliable electricity and natural gas

Alberta's electricity industry is structured to provide a fair, efficient and openly competitive marketplace that encourages the development of new power generation and offers all consumers choice and reliable supply. The Ministry continues to strengthen its provisions for retail consumer choice, working to further harmonize the rules for the natural gas and electricity retail markets and encourage energy efficiency and conservation. Through the *Natural Gas Price Protection Act,* the Alberta government also shares the benefits of resource ownership with consumers by providing relief from high natural gas prices during periods of high consumption.

Highlights and Accomplishments

- The Natural Gas Rebate Program ran from October to March to assist Albertans with natural gas costs. On average, about 75 per cent of the average residential consumer's annual natural gas consumption occurs during the October to March period. In the 2008-09 rebate year, the Province paid approximately $217 million to Alberta consumers to help with natural gas costs. Even before factoring in the assistance of the natural gas rebate, Albertans paid less for natural gas than the average residential consumer in other provinces across Canada.
- Conducted analysis and stakeholder consultation to further the drafting of a fair, efficient, and open competition regulation for the Alberta electricity market.
- Established an Advanced Metering Infrastructure (AMI) Senior Advisory Committee and five working groups to assist Alberta Energy in developing policy and regulation on AMI.
- Monitored implementation to ensure key provisions of the newly operational Micro-Generation Regulation took effect within the specified timeframes.
- Extended the Biorefining, Commercialization and Market Development Program (BCMDP) and the Bioenergy Infrastructure Development Program (BIDP) to March 31, 2011 to allow more time for grant funding to support development of a bioenergy industry in the province.
- Announced Alberta's Renewable Fuels Standard (RFS) in December 2008. Alberta's RFS will require an annual average blend of two per cent biodiesel (renewable diesel) in diesel fuel and five per cent renewable ethanol in gasoline fuel in Alberta. In addition, the renewable fuel used to meet the RFS must demonstrate 25 per cent fewer greenhouse gas emissions than the fossil fuel it replaces. The RFS will reduce greenhouse gas emissions in the transportation sector, while helping to build a local market for renewable fuels.

Performance Measure:
5.a Power Generation

Target:
Maintain a minimum 7 per cent margin over peak load.

Results:

Reviewed by Auditor General

			Year Ending December 31
	Actual 2006	**Actual 2007**	**Last Actual 2008**
Power Generation:			
Margin between supply and peak demand[1]	19%[2]	20%	23%

Sources: Energy Resources Conservation Board, Alberta Electric System Operator and Alberta Department of Energy

Notes: Through industry investment, Alberta's net supply margin of electricity will be sufficient to ensure reliable power supply.

[1] Wind power is not included as it is not dispatchable on a consistent basis. Tie line capacity is also not included.

[2] The 19% for 2006, compared to the 18% shown in the 2008-11 Business Plan, is due to minor revisions totalling 19 MW in Alberta's generation capacity.

Discussion of Results
In order to determine the margin, electricity supply was calculated as total installed capacity minus the capacities from wind power and inter-ties. For 2008, the margin between electricity supply and peak demand has increased to 23 per cent from the 2007 level of 20 per cent.

Net capacity additions will vary from year-to-year, as older units are retired and new units complete their construction phase. While load growth has slowed since 2007, it is anticipated that long term economic growth will continue to outstrip the net increase in new capacity. For 2008, installed capacity is up 420 MW from the 2007 level of 11,617 MW. Peak demand in 2008 was 9,806 MW, which was an increase of 105 MW over 2007.

Methodology
The focus of the measure is on demonstrating that there is a sufficient margin between electricity supply and peak demand.

The margin for the measure is reported as the megawatt difference between total installed generating capacity, which is net of wind capacity, and peak demand. For this performance measure, installed wind capacity has been removed from the total installed generating capacity, since wind power is not dispatchable on a consistent basis. The intent of the measure is to demonstrate the margin between the demand and dispatchable generating capacity. Total installed capacity, prior to wind capacity removal, is defined as the sum of the maximum continuous operating ratings of all electricity generation facilities connected to the Alberta interconnected electric system, excluding the capacity of inter-ties with British Columbia and Saskatchewan. Peak demand is defined as the highest recorded system demand (in megawatt-hours) in a climatic (October 1 through to March 31) year as recorded by the Alberta Electric System Operator (AESO).

Information about electrical generation facilities connected to the Alberta Interconnected Electric System is made available to the Department from the Energy Resources Conservation Board (ERCB). The generating capacity and startup dates are included in regulatory filings with the ERCB required under the *Hydro and Electric Energy Act* and interconnection applications to the AESO. The installed capacity data reported may be subject to adjustments based on re-ratings by facility operators.

Performance Measure:
5.b Annual Residential Natural Gas Price

Target:
Annual average residential natural gas price for Alberta should not exceed the annual average national residential natural gas price.

Results:

			Year Ending December 31
	Actual 2006	**Actual 2007**	**Last Actual 2008**
Annual Residential Natural Gas Price (ARGP): Difference between the annual average price Albertans pay for natural gas and the price paid by other Canadian jurisdictions ($/GJ).[1]	-3.16[2]	-3.95	-3.33

Source: Statistics Canada CANSIM Table 129-0002: receipts and disposition of natural gas utilities

Notes: [1] This measure does not include Alberta's natural gas rebates.

[2] 2006 result has been restated due to revisions in Statistics Canada data.

Discussion of Results

This measure compares the price Albertans pay for natural gas, excluding rebates, with other Canadian jurisdictions. In 2008, Alberta's annual average residential natural gas price (ARGP) was $3.33 per gigajoule (GJ) lower than Canadian annual average residential natural gas price (NRGP). This Canadian average does not include Alberta data.

The Alberta government continues to provide a regulatory framework in which the prices that natural gas consumers pay are adjusted on a monthly basis to reflect market conditions, in contrast to the rest of Canada, where prices are adjusted less frequently. During periods of falling natural gas prices, the benefits of these lower prices accrue to Alberta consumers faster than consumers in other Canadian jurisdictions.

Methodology

The ARGP is the annual average of the monthly prices paid by Alberta residential consumers as reported by Statistics Canada. The NRGP is the annual average of the monthly prices paid by Canadian residential consumers (excluding Alberta) as reported by Statistics Canada. Each monthly price is weighted by the respective monthly consumption levels of Albertan and Canadian residential consumers.

The performance measure result is calculated as the ARGP minus the NRGP.

Core Business 4: Regulation of Energy Development by the Energy Resources Conservation Board – *Ensure that the discovery, development and delivery of Alberta's energy resources take place in a manner that is fair, responsible and in the public interest*

The Energy Resources Conservation Board (ERCB) is an independent, quasi-judicial body that regulates the development and delivery of energy resources in Alberta. It also applies technical standards for the safe and reliable operation of energy facilities while having regard for social, economic and environmental effects. The Board conducts inspections to ensure compliance with regulations and provides geoscience information and expertise needed by government, industry and the public.

Goal 6: A regulatory framework for the energy sector that is fair, responsible and in the public interest

The Government of Alberta has established, in legislation and policy, a regulatory framework intended to ensure that the discovery, development and delivery of Alberta's energy resources take place in a manner that is fair, responsible and in the public interest. The development of broad energy policy and oversight of this framework rests with the government, particularly the Minister of Energy, who is responsible for the related legislation. The ERCB is responsible for implementing the regulatory process within this framework. While the ERCB reports administratively to the Minister of Energy, its formal regulatory decisions are made independently, in accordance with the governing legislation and regulations. The ERCB regulates the development and delivery of energy resources in Alberta. It establishes and applies technical standards for the safe and reliable operation of energy facilities while having regard for social, economic and environmental effects, including resource conservation. The ERCB conducts inspections to ensure compliance with the regulations it administers. It also provides geoscience information and expertise needed by government, industry and the public for the stewardship and development of energy resources in Alberta.

Highlights and Accomplishments

- Issued *Directive 073: Requirements for Inspection and Compliance of Oil Sands Mining and Processing Plant Operations in the Oil Sands Mining Area*, which details ERCB regulatory requirements that operators of oil sands mining and processing plant operations must follow, as well as the expectations of ERCB field inspectors.
- Increased the number of inspections conducted at mineable oil sands facilities in 2008 to 42 from 18 in 2007. Each inspection can take several days to complete.
- Issued *Directive 074: Tailings Performance Criteria and Requirements for Oil Sands Mining Schemes*, which sets new industry-wide criteria for managing oil sands tailings and specific enforcement actions if performance targets are missed. The directive requires operators to prepare a plan for every tailings pond whereby tailings deposits are trafficable and ready for reclamation five years after active deposition has ceased. It also requires companies to operate and abandon each tailings pond in accordance with applications or ERCB approvals.
- Engaged 167 key stakeholders through the Community and Aboriginal Relations (CAR) team to discuss the ERCB's roles and responsibilities. CAR also conducted 172 presentations to communities, industry and government, and attended 209 synergy group meetings. The ERCB endorses and supports the collaborative and cooperative approach demonstrated by synergy groups, and in 2008 CAR staff contributed to the formation of nine new synergy groups. CAR participated in 47 community/industry open houses, which allows the ERCB to interact with all stakeholders, and also conducted 104 aboriginal community contacts, which represents a 55 per cent increase from 2007.
- Strengthened *Directive 071: Emergency Preparedness and Response Requirements for the Petroleum Industry,* significantly enhancing Alberta's already strict emergency preparedness and response requirements. This update was the result of extensive feedback from stakeholders, including first responders, the public, Alberta Health and Wellness and regional health authorities, Municipal Affairs, the Alberta Emergency Management Agency and the energy industry.
- Launched ERCBH2S, a state-of-the-art software program to calculate EPZs. Use of this new tool is mandatory and allows for more effective emergency response planning procedures.
- Created the Regulatory Management Program to help improve the regulatory framework and increase stakeholder awareness of regulatory changes. As part of the program, the ERCB

developed the Regulatory Change Report, a one-stop source that provides information to industry and the public about the ERCB's regulatory initiatives.

- Issued *Bulletin 2008-40: Proposed Enhanced Production Audit Program*, which lays out proposed changes for auditing oil and natural gas volumetric data to better meet ERCB requirements. The Enhanced Production Audit Program (EPAP) aims to increase compliance with ERCB measurement recording and reporting requirements, be cost effective for both the operators and the ERCB, and be practical for industry and the ERCB. The ERCB has sought input from operators on a wide range of topics related to the design and implementation of the proposed EPAP process. The ERCB also will work with the Petroleum Registry of Alberta to investigate potential improvements to enable operators to become aware of risks associated with inaccurate data entered into the Registry.
- Collaborated with energy industry associations to get feedback for the next phase of the ERCB's Well Spacing Initiative. The ERCB and industry met several times to review new well spacing electronic application forms, the decision trees defining the application process pathways, and associated application requirements. Feedback from industry was very positive. Well spacing regulations define the number of subsurface drainage locations necessary to maximize oil or gas recovery from a specific pool.

Performance Measure:

6.a Application Resolution

Target:

90 per cent of oil and gas facility and resource applications filed with objections resolved (approved, denied or closed) without a hearing.

Results:

Year Ending March 31

	Actual 2006-07	Actual 2007-08	Last Actual 2008-09
Application Resolution: Percentage of oil and gas facility and resource applications filed with objections resolved (approved, denied or closed) without a hearing	93%	96%	92%

Source: Integrated Application Registry (IAR)

Discussion of Results

This measure indicates the effectiveness of the ERCB's processes and procedures for ensuring that applications filed are completed, that new applicants have been thorough and diligent, and that the ERCB works to address any concerns or objections by landowners, public and industry. It also quantifies the ERCB's ability to facilitate and resolve landowner, public and industry objections to new energy and resource development applications through mechanisms other than the hearing process. Whether an application goes to a hearing or not, eventually an application has a dispositioned status (approved, denied or closed). A dispositioned status can be obtained through field facilitation, direct negotiation between applicant and objector, and formal appropriate dispute resolution (ADR) with an independent mediator, any of which may result in a withdrawal of the application by the applicant, withdrawal of the objection by the objector, resolution being reached, or a closure of the application by the ERCB rather than proceeding to a formal hearing before the Board. ERCB staff attempt to facilitate these options with the various parties during the processing of a particular application.

There were 35,117 energy and resource applications filed during the fiscal year. Only 953 applications dispositioned had linked objections. Of the 953 applications, 880, or 92 per cent, were resolved without a hearing, with the remaining 73 applications set down for a hearing. Of those, only 26 resulted in hearings being held to consider the applications. More than one application may be considered at the same hearing, as one hearing may be held to consider a couple of wells, related pipelines and surface facilities.

The target of 90 per cent was met. Success in meeting the target can be attributed to numerous factors including: ERCB field staff being available to attend meetings between landowners and companies to discuss new oil and gas well and facility projects to help identify and resolve conflicts before they intensify; the use of other mediation tools such as company-sponsored consultation, negotiation, and third-party mediation; and the ERCB encouraging senior company officials to meet with affected landowners during mediations.

This measure is not in the 2009-12 Ministry of Energy Business Plan and will not be reported on in the 2009-10 Energy Annual Report.

Methodology

For the purposes of this measure, applications filed with objections means applications dispositioned with linked objections during the fiscal year. Information is taken from the Integrated Application Registry (IAR) system to identify the number of applications dispositioned with linked objections that went to a hearing versus applications dispositioned with linked objections that did not go to a hearing.

Performance Measure:

6.b Protection of Public Safety

Target:

Less than 3.5 per cent of field inspections finding High Risk regulatory noncompliance.

Results:

Reviewed by Auditor General

	Year Ending December 31		
	Actual 2006	Actual 2007	Last Actual 2008
Protection of Public Safety: Percentage of field inspections finding High Risk regulatory noncompliance	2.7%	2.5%	2.1%

Source: Field Surveillance Inspection System database and Energy Resources Conservation Board Waste Plant Spreadsheet, March 2009

Discussion of Results

In calendar year 2008, there were 18,315 initial inspections. Of these inspections, 386 found High Risk noncompliances, 168 relating to pipelines.

While the number of inspections increased from 16,550 in 2007 to 18,315 in 2008, there was a slight decrease in noncompliance with regulatory requirements from last year. The decrease in noncompliance can be attributed to some of the education the field inspection staff have been providing to industry on regulatory requirements through presentations and operator awareness sessions. In addition, heightened accountability continues by industry as a result of the monthly publication of *ST108* on the ERCB web site of High Risk enforcement actions.

Methodology

This indicator measures industry's compliance with regulatory requirements.

The Public Safety/Field Surveillance Branch inspects operations of the upstream oil and gas industry with respect to the drilling, production and disposition of hydrocarbons and associated wastes. All inspection results are recorded as Satisfactory, Low Risk noncompliant or High Risk noncompliant and are entered into the Field Surveillance Inspection System database, with the exception of inspections of waste plants. These are tracked manually because the waste plants do not have licence numbers. Inspections and investigations are counted for the year that the event was initiated. This information is then reported in the annual *ST57: Public Safety/Field Surveillance Provincial Summary,* which reports on a calendar-year basis. Field inspections for this measure are initial inspections for drilling, gas facility, oil facility, pipeline, well service, drilling waste, well sites and waste management operations completed in the calendar year.

A High Risk noncompliance is when a contravention of regulation(s)/requirement(s) is found that the licensee has failed to address and/or that has the potential to cause a significant impact on the public and/or environment.

Core Business Five: Regulation of Utility Development by the Alberta Utilities Commission – *Ensure that the development and delivery of Alberta's energy utilities take place in a manner that is fair, responsible and in the public interest*

The Alberta Utilities Commission (AUC) is an independent, quasi-judicial agency of the Government of Alberta with responsibility to oversee the transmission, distribution and regulated retail tariffs for electricity and natural gas services. It reports to the Minister of Energy. Its role is to ensure consumers are provided with reliable service at just and reasonable rates and also provide utility owners with a reasonable opportunity to recover their costs and earn a fair return on their investment.

Goal 7: A regulatory framework for the utility sector that is fair, responsible and in the public interest

The Government of Alberta has established in legislation and policy, a regulatory framework that can effectively respond to growth pressures and provide all Albertans with access to an efficient and trusted regulatory authority as we continue to develop our utilities system. This new structure creates a distinct body of experts that can make timely decisions to capitalize on opportunities that are in the public interest. The oversight of this framework rests with the government, particularly the Minister of Energy, who is responsible for the related legislation. The AUC's role is to ensure consumers are provided with reliable service at just and reasonable rates and also provide utility owners with a reasonable opportunity to recover their costs and earn a fair return on their investment. The Commission will make timely decisions on electricity and natural gas transmission and distribution facilities, which are needed to attract investment, meet future needs and ensure fair pricing. The AUC will also undertake rule-making responsibility relating to data communications transactions and the delivery of these transactions to market participants to ensure a well functioning electricity and natural gas market.

Highlights and Accomplishments

- Developed and issued more than 20 formal rules of procedure intended to shape how the AUC operates (including revised guidelines on intervener costs) while developing the human resources, information technology (IT) and other resources to ensure full functionality. This includes launching both a new web site for external audiences and a portal for internal audiences to facilitate easy access to information. In addition, a new hearing room was built in Calgary and a complex organization-wide IT transition was completed successfully.
- Issued a formula-based regulation rate decision applied to retail electric utility service. It is intended to benefit rate-payers as well as the utility and its owners by encouraging increased efficiency and productivity, sharing of incentive savings, reducing regulatory proceedings and protecting service standards. The decision, which marked a departure from traditional cost of service regulation, could have implications for the future of utility regulation in Alberta.
- Approved, in conjunction with the Alberta Natural Resources Conservation Board and the Canadian Environmental Assessment Agency, that renewable emission-free generation will be produced by the Dunvegan hydro-electric generating facility. This project in northern Alberta is valued at approximately $600 million, will create almost 900 person-years of employment and reduce potential greenhouse gas emissions by about 500,000 tonnes annually.
- Approved a 100-kilometre, 240-kilovolt transmission line and related facilities between Pincher Creek and Lethbridge to facilitate development of renewable wind-powered electricity generation. This requires the applicant to follow a route, utilize certain types of towers and investigate consolidation of lines to minimize the line's impact on landowners while respecting landowners' wishes. The AUC also improved its efforts and employed new approaches to make sure affected landowners were informed of and could be part of the application process, including holding two information sessions and a pre-hearing meeting to ensure greater transparency.
- Developed rules, processes and specified penalties for contraventions of Independent System Operator market rules, enabling the AUC to produce the first ever regulatory decisions on wholesale electricity markets in Alberta and among the first in Canada.
- Developed and finalized rules and business processes around micro-generation, including the completion of a 30-page application manual and one-page application.
- Developed and launched an extensive communications campaign around notice of application and hearing for a $3.5 billion transmission reinforcement need application from the Alberta Electric System Operator, using more than 130,000 information packages, radio broadcasts, print advertisements and information sessions in 10 southern Alberta communities.

Performance Measure:

The performance measure for this goal is under development.

Organizational Capacity and Effectiveness

Successful delivery of the Ministry's core businesses depends on building and maintaining a strong organization with the knowledge and capacity to respond to changing future business and economic circumstances. A separate goal has been established to address this requirement.

Goal 8: Build an organizational environment for success

Organizational capacity and effectiveness address the challenge and importance of maintaining and building organizational capacity to respond to changing business needs. Organizational capacity means having the right resources, people, finances, information, technology, processes and tools to deliver the Ministry's mission.

Highlights and Accomplishments

- The ERCB was recognized as one of the best workplaces in the province in 2008, being named in the Alberta's Top 40 Employers competition. Alberta's Top Employers is an annual competition organized by the editors of Canada's Top 100 Employers. This special designation recognizes Alberta employers that lead their industries in offering exceptional places to work. The ERCB was acknowledged for offering diverse career opportunities, providing a positive work environment and dedication to working in the public interest.
- Achieved results higher than the government average for the Employee Engagement Index and the Quality of Work Environment Index, which are important measures of employee satisfaction and employee engagement. For 2008, the Department Employee Engagement Index was 76 per cent, compared to 81 per cent for the ERCB, while the Quality Work Environment Index for the Department was 77 per cent, compared to 80 per cent for the ERCB. These survey results are used to identify areas for improvement at the group, branch or top level of the organization. They are intended to create a better place to work in order to retain and attract staff, and further develop and measure progress on current people initiatives.
- The Department achieved higher than targeted results in the biennial surveying of industry clients and electronic business users. The Department continues to score high marks with overall industry satisfaction with Department services at 83 per cent, while satisfaction with e-business functions was 90 per cent.

Performance Measure:

8.a Industry Satisfaction with Department Services and Electronic Information Management

Target:

Industry satisfaction 80 per cent or higher.

Results:

Year Ending December 31

	Actual 2003	Actual 2005	Last Actual 2007
Industry Satisfaction:			
with Department services	84%	84%	83%
with Department electronic information management	94%	90%	90%

Source: 2005 and 2007 Banister Research and Consulting Inc., 2003 Environics Research Group.

Discussion of Results

The most recent survey, for the calendar year 2007, was conducted in January and February 2008. The survey results for 2007 were similar to the results achieved for the years 2003 and 2005, and reflected high levels of stakeholder satisfaction with Department services. A satisfaction rate of 83 per cent was achieved in 2007, down one per cent from the 2005 survey results. The helpfulness and professionalism of Department staff was rated at 85 per cent, contributing to an overall high result. Results are considered accurate +/- 4.0 per cent 19 times out of 20. The Department applied the Government of Alberta's framework for service excellence, focusing on courteous, competent and timely service to clients. Industry satisfaction was surveyed to ensure that Department services kept pace with changing requirements in the energy sector and identified opportunities for improvements. Industry satisfaction is an indicator of staff competence, knowledge, satisfaction and service.

In an increasingly global business environment where partnerships and information sharing are keys to success, effective use of information technology to deliver business products/services and manage information is essential. Industry satisfaction with electronic information management is surveyed to assess the Department's commitment to system availability and security, timeliness and ease of use. Results for industry satisfaction with electronic information management in 2007, the last year the survey was conducted, are considered accurate +/- 4.4 per cent 19 times out of 20. This result was identical to what was achieved in 2005.

High levels of satisfaction with Department services and electronic information management, demonstrated by the last three biennial surveys, indicate that the Department has been consistently meeting stakeholder expectations. The results for 2007 were virtually unchanged from 2005.

Methodology

In January and February 2008, Banister Research and Consulting Inc. conducted telephone interviews.

This timing represented a one-time departure from the established standard. Normally, biennial surveys for this measure are done during the fall of a calendar year, for which the result is reported. For example, the surveys for 2005 were done in November 2005. The surveys were deferred from the fall of 2007 until early 2008 on the advice of Banister Research and Consulting Inc. They reasoned that the unusually high volume of media coverage the Department was receiving during the late fall of 2007 could bias the results. The delay did not affect the results for 2007, which are consistent with results for calendar years 2003 and 2005. In future years, the intent is to revert to the standard timing for doing these surveys. The next biennial surveys will be conducted in the autumn of 2009. The results will be presented in the 2009-10 Annual Report.

For industry satisfaction with Department services the focus of courteous, competent and timely service to clients was used to develop questions given to 464 randomly selected industry clients. Results are a mean average of client responses to a single question on overall satisfaction with nine business units. Due to the disbandment of the Calgary Information Centre in September 2007, one less business unit was surveyed in 2007 than in 2005. All other business units, surveyed in 2005, were also surveyed in 2007.

In order to gauge satisfaction with electronic information management, 394 randomly selected industry companies were asked questions about availability, security, timeliness and ease of use of Department electronic data processing systems. Results are a mean average of client responses to these questions.

Performance Measure:

8.b Department Work Environment

Target:

Department Work Environment Satisfaction Index 80% or Higher

Results:

Reviewed by Auditor General

	Year Ending December 31		
	Actual 2006	Actual 2007	Last Actual 2008
Department Work Environment:[1]			
Employee Engagement	N/A	74%	76%
Quality Work Environment	N/A	77%	77%

Source: Research Innovations Inc.

Note: [1] Surveys are conducted every year

Discussion of Results

The most recent survey, for calendar year 2008, was conducted in the fall (October and November) of 2008. The results were similar to those achieved in 2007 and although they fell short of the target of 80 per cent, the results reflect a fairly positive level of satisfaction amongst employees in terms of quality of work and level of employee engagement. The results for the Department are also considerably higher than the government as a whole. A total of 511 employees from the Department of Energy were interviewed and asked a series of questions. Of these questions, a total of six are used for Employee Engagement and 11 are used for Quality of Work. Results are considered accurate +/- 1.0 per cent 19 times out of 20.

The Department has an ongoing and direct influence in creating and maintaining an environment where employees feel engaged and enjoy a positive and values-based work environment. The Department monitors the work environment in order to identify opportunities for improvement, and to ensure that it keeps pace with changing requirements for its employees. The Quality Work Environment and Employee Engagement indices are indicators of staff morale, knowledge and satisfaction.

In an increasingly global business environment, having the right employees in the right jobs and having these employees feel empowered are keys to the success of the organization as a whole.

Methodology

Surveying for the measure is conducted every year. The most recent survey, for the calendar year 2008, was conducted in October and November 2008. The survey results for 2008 were similar to the results achieved for 2007, except that Employee Engagement increased to 76 per cent from 74 per cent. The 2008-11 Business Plan was the first year this measure was in place.

A total of 511 employees from the Department were surveyed, through telephone interviews and asked a series of questions. Out of these questions, the results of six were used for Employee Engagement and 11 were used for the Quality of Work. The same questions are used each year to compile the results to ensure validity and consistency with the measure. Employees are ensured of anonymity prior to the survey starting. Both management and non-management employees are surveyed.

Results are considered accurate +/- 1.0 per cent 19 times out of 20.

MINISTRY OF ENERGY

FINANCIAL STATEMENTS
For the year ended March 31, 2009

Auditor's Report
Consolidated Statement of Operations
Consolidated Statement of Financial Position
Consolidated Statement of Cash Flows
Notes to the Consolidated Financial Statements
Schedules to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

Auditor's Report

To the Members of the Legislative Assembly

I have audited the consolidated statement of financial position of the Ministry of Energy as at March 31, 2009 and the consolidated statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Ministry's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Ministry as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original signed by Fred J. Dunn, FCA

FCA
Auditor General

Edmonton, Alberta
June 3, 2009

Ministry of Energy

Consolidated Statement of Operations
For the year ended March 31, 2009
(in thousands)

	2009 Budget	2009 Actual	2008 Actual
Revenues: (Schedule 1)			
Non-renewable resource revenue	$ 11,709,000	$ 11,915,296	$ 11,023,744
Freehold mineral rights tax	318,000	260,913	246,799
Industry levies and licences	140,400	140,567	90,552
Other revenue	12,259	42,636	51,309
	12,179,659	12,359,412	11,412,404
Expenses - Directly Incurred (Note 2 and Schedules 2 and 3)			
Energy and utility regulation	215,902	218,519	165,440
Resource development and management	184,796	174,228	128,735
Ministry support services	2,099	2,053	2,204
	402,797	394,800	296,379
Net operating results	$ 11,776,862	$ 11,964,612	$ 11,116,025

The accompanying notes and schedules are part of these consolidated financial statements.

Ministry of Energy

Consolidated Statement of Financial Position
As at March 31, 2009
(in thousands)

	2009	2008
Assets:		
Cash (Notes 3 and 7)	$ 528,966	$ 799,117
Accounts receivable (Note 4)	582,991	2,100,922
Inventory held for resale	-	14,081
Prepaid expenses	3,031	2,189
Accrued pension asset (Note 8)	8,272	8,090
Tangible capital assets (Note 5)	83,427	75,913
	$ 1,206,687	$ 3,000,312
Liabilities:		
Accounts payable and accrued liabilities	$ 231,667	$ 373,129
Unearned revenue	71,652	71,390
Gas royalty deposits (Note 6)	1,040,214	986,124
Security deposits (Note 7)	35,941	31,224
Tenant incentives	1,070	1,795
	1,380,544	1,463,662
Net Assets:		
Net assets, beginning of year	1,536,650	1,401,596
Net operating results	11,964,612	11,116,025
Net transfer to General Revenue	(13,675,119)	(10,980,971)
Net assets (liabilities), end of year (Note 9)	(173,857)	1,536,650
	$ 1,206,687	$ 3,000,312

The accompanying notes and schedules are part of these consolidated financial statements.

Ministry of Energy

Consolidated Statement of Cash Flows
For the year ended March 31, 2009
(in thousands)

	2009	2008
Operating transactions:		
Net operating results	$ 11,964,612	$ 11,116,025
Non-cash items		
Amortization and loss on disposal of capital assets	20,699	14,210
Pension expense	7,394	6,947
Valuation adjustments	785	663
	11,993,490	11,137,845
Changes in operating non-cash working capital		
Decrease (increase) in accounts receivable	1,517,931	(268,291)
Decrease (increase) in inventory	14,081	(3,001)
(Increase) in prepaid expenses	(842)	(832)
Increase (decrease) in accounts payable and accrued liabilities	(142,246)	182,583
Increase (decrease)in unearned revenue	262	(145)
(Decrease) in tenant incentives	(725)	(726)
Cash provided by operating transactions	13,381,951	11,047,433
Financing transactions:		
Increase (decrease) in gas royalty deposits	54,090	(6,192)
Net transfer to General Revenue	(13,675,119)	(10,980,971)
Pension obligations funded	(7,576)	(5,622)
Increase in security deposits	4,717	4,224
Cash applied to financing transactions	(13,623,888)	(10,988,561)
Capital transactions:		
Purchase of tangible capital assets	(28,214)	(25,251)
Cash used by capital transactions	(28,214)	(25,251)
Increase (decrease) in cash	(270,151)	33,621
Cash, beginning of year	799,117	765,496
Cash, end of year	$ 528,966	$ 799,117

The accompanying notes and schedules are part of these consolidated financial statements.

Notes to the Consolidated Financial Statements
For the year ended March 31, 2009

(In thousands)

Note 1 Authority

The Minister of Energy has been designated as responsible for various Acts by the *Government Organization Act* and its regulations. To fulfill these responsibilities, the Minister administers the organizations listed below. The authority under which each organization operates is also listed. Together, these organizations form the Ministry of Energy.

Organization	Authority
Department of Energy (The Department)	Government Organization Act
Energy Resources Conservation Board (The ERCB)	Energy Resources Conservation Act
Alberta Utilities Commission (The AUC)	Alberta Utilities Commission Act
Alberta Petroleum Marketing Commission (The Commission)	Petroleum Marketing Act and the Natural Gas Marketing Act

Note 2 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared primarily in accordance with Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants (PSAB). The PSAB financial statements presentation standard for government summary financial statements has been modified to more appropriately reflect the nature of the departments.

Basis of Financial Reporting

Basis of Consolidation

The accounts of the Department, the ERCB, the AUC, and the Commission are consolidated. Revenue and expense transactions, capital and financing transactions, and related asset and liability accounts between entities within the Ministry have been eliminated.

The reporting period of the Commission is December 31. Transactions that have occurred during the period to March 31, 2009 and that significantly affect the consolidation have been recorded.

Revenues

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services which have not been provided by year end is recorded as unearned revenue.

The provincial royalty system is predicated on self-reporting where the petroleum and natural gas industry is expected to understand the relevant energy legislation (statutes and regulations) and comply with them. This has an impact on the completeness of revenue when the petroleum and natural gas industry do not fully meet the legislative requirements, for example, report inaccurate or incomplete production data. The Department has implemented systems and controls in order to detect and correct situations where the petroleum and natural gas industry has not complied with the various Acts and Regulations the Department administers. These systems and controls, based on areas of highest risk, include performing audits of the petroleum and natural gas industry records where determined necessary by the Department. The Department does not estimate the effect of misreported revenue.

Crude oil and natural gas royalties are determined based on monthly production. Revenue is recognized when the resource is produced by the mineral rights holders.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

Basis of Financial Reporting (continued)

Revenues

Synthetic crude oil and bitumen royalties are determined based on revenues from production sold by projects less the costs of that production and the costs of selling the Crown's royalty share. Royalty revenue is recognized when the resource is produced by the mineral rights holders.

Freehold mineral taxes are determined at the end of a calendar year based on production and costs of production incurred in the calendar year. Revenue is recognized on a prorated basis, by month, of the estimated calendar year taxes and royalty that will be due to the Crown.

Revenue from bonuses and sales of Crown leases is recognized when the Crown leases are sold. Rentals and fees revenue is recognized over the term of the leases.

Industry levies and assessments are recognized as revenue in the year receivable.

Expenses

Directly Incurred

Directly incurred expenses are those costs the ministry has primary responsibility and accountability for, as reflected in the Government's budget documents.

Directly incurred expenses include:

- amortization of tangible capital assets.
- pension costs which comprise the cost of employer contributions for current service of employees during the year.
- current service costs for the defined benefit pension plans. The ERCB and the AUC have their own defined benefit pension plans. The ERCB's and the AUC's pension expense is actuarially determined using the projected benefit method prorated on length of service and management's best estimate of expected plan investment performance, projected employees' compensation levels, and length of service to the time of retirement. Net accumulated actuarial gain or loss is deferred and amortized over the average remaining service period of the active employees, which is 8 years. For the purpose of calculating the expected return, plan assets are valued at fair value. Past service costs arising from plan amendments are deferred and amortized on a straight line basis over the average remaining service period of active employees at the date of amendment.
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay.

Grants are recognized as expenses when authorized and eligibility criteria, if any, are met.

Incurred by Others

Services contributed by other entities in support of the ministry operations are disclosed in schedule 3 and are not reflected in the consolidated statement of operations.

Assets

Inventory consists of conventional and synthetic oil in feeder and trunk pipelines. Inventories are stated at net realizable value.

(In thousands)

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

Basis of Financial Reporting (continued)

Assets

Tangible capital assets are recorded at historical cost and are amortized over their estimated useful lives. The Department threshold for capitalizing new systems development is $100 and the threshold for all other tangible capital assets is $5.

Assets acquired by right, such as mineral resources, are not included.

When physical assets are gifted or sold for a nominal sum to parties external to the government reporting entity, the fair values of these physical assets less any nominal proceeds are recorded as grants in kind.

Liabilities

Liabilities include all financial claims payable by the Ministry at fiscal year end.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash, accounts receivable, advances, accounts payable and accrued liabilities, security deposits, and gas royalty deposits are estimated to approximate their carrying values because of the short term nature of these instruments.

Net (Liabilities) Assets

Net (liabilities) assets represent the difference between the carrying value of assets held by the Ministry and its liabilities.

Note 3 Cash

Cash consists of deposits in the Consolidated Cash Investment Trust Fund which is managed by the Province of Alberta with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of three years. As at March 31, 2009, securities held by the Fund have a time-weighted rate of return of 3.0% per annum (2008: 4.5% per annum). Deposits received by the ministry as security against leases are included in cash.

Note 4 Accounts Receivable

Accounts receivable are secured by a claim against the mineral leases.

(In thousands)

Note 5 Tangible Capital Assets

	Land	Equipment	Computer hardware and software	2009 Total	2008 Total
Estimated Useful Life	Indefinite	3 to 10 years	3 to 20 years		
Historical Cost					
Beginning of year	$ 320	$ 38,881	$ 154,287	$ 193,488	$ 171,417
Additions	-	8,078	20,136	28,214	25,251
Disposals, including write-downs	-	(82)	(2,848)	(2,930)	(3,174)
	$ 320	$ 46,877	$ 171,575	$ 218,772	$ 193,494
Accumulated Amortization					
Beginning of year	$ -	$ 24,130	$ 93,446	$ 117,576	$ 106,457
Amortization expense	-	4,098	16,594	20,692	14,210
Effect of disposals	-	(79)	(2,844)	(2,923)	(3,086)
	$ -	$ 28,149	$ 107,196	$ 135,345	$ 117,581
Net Book Value, March 31, 2009	$ 320	$ 18,728	$ 64,379	$ 83,427	
Net Book Value, March 31, 2008	$ 320	$ 14,746	$ 60,847		$ 75,913

Equipment includes leasehold improvements, office equipment and furniture, and other equipment.

Historical cost includes work-in-progress at March 31, 2009 totaling $9,739 (2008 - $13,933) comprised of software.

The AUC disposed of property and equipment with a net book value of $6 (Cost: $12; Accumulated Amortization: $6) with no remaining economic life. Accordingly, a net loss of $6 is included in Amortization. In addition, the ERCB disposed of computer software assets with a net book value of $0(Cost: $2,356; Accumulated Amortization: $2,356) and property and equipment with a net book value of $0 (Cost: $560; Accumulated Amortization: $560) with no remaining economic life were decommissioned during the year.

Note 6 Gas Royalty Deposits

The Department requires that natural gas producers maintain a deposit equal to one-sixth of the prior calendar year's royalties multiplied by the ratio of the long term gas reference price on the date which the recalculation of the gas deposits is determined to the prior calendar year average gas reference price. The Department does not pay interest on the deposits.

Note 7 Security Deposits

The ERCB encourages the timely and proper abandonment and reclamation of upstream wells, facilities, pipelines, and oilfield waste management facilities by holding various forms of security. At March 31, 2009, the ERCB held $35,941 (2008: $31,224) in cash and an additional $138,130 (2008: $118,525) in letters of credit. The security, along with any interest earned, will be returned to the depositor upon meeting specified refund criteria.

(In thousands)

Note 8 Employee Future Benefits

The Ministry participates in multi-employer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Ministry also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $11,502 for the year ended March 31, 2009 (2008 - $9,698).

At December 31, 2008, the Management Employees Pension Plan reported a deficiency of $568,574 (2007 – $84,341) and the Public Service Pension Plan reported a deficiency of $1,187,538 (2007 – $92,509 as restated). At December 31, 2008, the Supplementary Retirement Plan for Public Service Managers had a deficiency of $7,111 (2007 – surplus of $1,510).

The Department also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2009, the Bargaining Unit Plan reported an actuarial deficiency of $33,540 (2008 – $6,319) and the Management, Opted Out and Excluded Plan an actuarial deficiency of $1,051 (2008 – actuarial surplus of $7,874). The expense for these two plans is limited to the employer's annual contributions for the year.

In addition, the ERCB and the AUC maintain their own defined benefit Senior Employees Pension Plan (SEPP) and two supplementary pension plans to compensate senior staff who do not participate in the government management pension plans. Retirement benefits are based on each employee's years of service and remuneration. The date used to measure all pension plan assets and accrued benefit obligations was March 31, 2009. The effective date of the most recent actuarial funding valuation for SEPP was December 31, 2008. The effective date of the next required funding valuation for SEPP is December 31, 2011. Significant actuarial and economic assumptions used to value accrued benefit obligations and pension costs are as follows:

a) ERCB

	2009	2008
Accrued benefits obligations		
Discount rate	8.6%	6.1%
Rate of compensation increase (weighted average)	3.5%	3.5%
Benefit costs for the year		
Discount rate	6.1%	5.5%
Expected long-term rate of return on plan assets	6.5%	6.0%
Rate of compensation increase	3.5%	3.5%

The funded status and amounts recognized in the Statement of Financial Position are as follows:

	2009	2008
Plan assets at fair value	$ 24,440	$ 27,737
Accrued benefit obligation	17,690	24,090
Plan surplus	6,750	3,647
Unamortized net actuarial loss	673	3,648
Accrued pension asset	$ 7,423	$ 7,295

The asset allocation of the defined benefit pension plans investments is as follows:

	2009	2008
Equity securities	40.4 %	49.0 %
Debt securities	39.7 %	39.9 %
Other	19.9 %	11.1 %
	100.0%	100.0%

Note 8 **Employee Future Benefits** (continued)

Additional information about the defined benefit pension plans are as follows:

	2009	January 1,2008 To March 31, 2008
ERCB contribution	$1,519	$329
Employees' contribution	319	88
Benefit paid	919	561
Pension benefit costs	1,391	429

b) AUC

	2009	2008
Accrued benefits obligations		
Discount rate	8.6%	6.1%
Rate of compensation increase (weighted average)	3.5%	3.5%
Benefit costs for the year		
Discount rate	6.1%	5.5%
Expected long-term rate of return on plan assets	6.3%	5.8%
Rate of compensation increase	3.5%	3.5%

The funded status and amounts recognized in the Statement of Financial Position are as follows:

	2009	2008
Plan assets at fair value	$ 2,950	$ 2,717
Accrued benefit obligation	2,000	2,211
Plan surplus	950	506
Unamortized net actuarial (gain) loss	(101)	289
Accrued pension asset	$ 849	$ 795

Additional information about the defined benefit plans are as follows:

	2009	January 1,2008 To March 31, 2008
AUC contribution	$328	$10
Employees' contribution	84	34
Benefit paid	0	0
Pension expense	274	78

The asset allocation of the defined benefit pension plans investments is as follows:

	2009	2008
Equity securities	39.0 %	49.0 %
Debt securities	38.4 %	39.9 %
Other	22.6 %	11.1 %
	100.0%	100.0%

(In thousands)

Note 9 Net (Liabilities) Assets

Net (liabilities) assets are comprised of:

	2009	2008
Department of Energy	$ (245,574)	$ 1,470,403
ERCB	55,084	54,039
AUC	16,633	12,208
Total	$ (173,857)	$ 1,536,650

Note 10 Trust Funds under Administration

The Ministry administers trust funds which are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds, and administers them for the purpose of various trusts, they are not included in the Ministry's financial statements.

As at March 31 trust funds under administration were as follows:

	2009	2008
Oil and Gas Conservation Trust	$ 3,718	$ 3,089

Note 11 Commitments

Commitments to outside organizations in respect of contracts entered into before March 31, 2009 amount to $63,582 (2008- $117,530). These commitments will become expenses of the Ministry when terms of the contracts are met. Payments in respect of these contracts and agreements are subject to the voting of supply by the Legislature.

These amounts include obligations under long-term leases with lease payment requirements in future years of:

	Grant Agreements	Service Contracts	Long-term Leases	Total
2010	$ 7,935	$ 11,745	$ 7,635	$ 27,315
2011	6,153	805	6,180	13,138
2012	-	-	3,258	3,258
2013	-	-	2,968	2,968
2014	-	-	2,786	2,786
Thereafter	-	-	14,117	14,117
	$ 14,088	$ 12,550	$ 36,944	$ 63,582

Note 11 Commitments (continued)

Alberta Petroleum Marketing Commission

The Alberta Petroleum Marketing Commission has allocated a portion of its anticipated pipeline requirements to transportation agreements expiring in March 2012. These agreements obligate the Commission to pay tariff charges for contracted volumes in accordance with contracted rates. The aggregate estimated commitment at December 31, 2008 is $23,860 (2007 - $31,201). This commitment will be paid from future oil royalty revenue. Costs for these pipeline services are expected to be within the range of normal transportation costs.

	Total
2009	7,341
2010	7,341
2011	7,341
2012	1,837
	$ 23,860

Note 12 Contingencies and Other Liabilities

Set out below are details of contingencies resulting from administrative actions and litigation, other than those reported as liabilities.

(a) Land Claims

The government identifies and set aside specific tracts of land to satisfy land claims made by Indian Bands. The claims related to these lands are under negotiation but are not yet resolved. In one instance, the Ministry may have to revoke 23 petroleum and natural gas dispositions for which the government accepted bonuses, rental payments and royalties. When these land claims will be resolved is unknown. In the opinion of management, any losses that may result from the eventual settlement of these land claims cannot be determined at this time.

(b) Legal Claims

At March 31, 2009 the Department is a defendant in seven legal claims (2008 – five legal claims). Five of these claims have specified amounts totaling $1,375,596 and the remaining two claims have no specified amount (2008 – four with specified amounts totaling $1,375,243 and one claim with no specified amount). The Department has been jointly named with other entities in all the claims (2008 - two with specified amounts totaling $1,372,500). No claims (2008 – One claim - $572,500) are covered by the Alberta Risk Management Fund.

The resulting loss, if any, from these claims cannot be determined.

(In thousands)

Note 13 Measurement Uncertainty

Measurement uncertainty exists when there is a significant variance between the amount recognized in the financial statements and another reasonably possible amount. Natural gas and by-products revenue recorded as $5,834,006 and synthetic crude oil and bitumen royalties recorded as $2,973,131 in these financial statements is subject to measurement uncertainty.

Natural gas and by-products revenue is calculated based on allowable costs incurred by the royalty payers and production volumes that are reported to the Department by royalty payers. These costs and volumes could vary significantly from that initially reported. The Department estimates what the costs, volumes and royalty rates for the fiscal year should be based on statistical analysis of industry data. Based on historical data, natural gas and by-products revenue could change by $175,000.

For projects from which synthetic crude oil and bitumen royalties are paid and the project has reached payout, the royalty rate used to determine the royalties is based on the average price of West Texas Intermediate crude oil in Canadian dollars for the calendar year. Royalty rates will start at 25% of net profits when oil is priced at fifty five dollars per barrel or less, and increase to a maximum of 40% of net profits when oil is priced at one hundred and twenty dollars or more. The price used to estimate the royalties for production in January, February and March 2009 was fifty seven dollars and fifty five cents. The change in royalties will be significant if the price of bitumen exceeds sixty three dollars. Payout is defined at the first date at which the cumulative revenue of a project first equals the cumulative cost of the project.

Note 14 Related Party Transactions

The Ministry paid $7,670 (2008 - $9,136) to various other Government of Alberta departments, agencies or funds for supplies and/or services during the fiscal year and received $2,388 (2008 - $2,516) as revenue. Included in these services was a payment of $412 (2008 - $412) for the lease of a research facility from Alberta Infrastructure. The remaining term of this lease is 77 years and the future annual payments are $48.

Accommodations, legal, telecommunications, personnel, audit services, and certain financial costs were provided to the Ministry by other government organizations at no cost. However, services contributed by other entities in support of the Ministry operations are disclosed in schedule 3.

Note 15 Royalty Reduction Programs

The Department provided twelve oil and gas royalty reduction programs during the year. These programs reduce Crown royalties to encourage industry to produce from wells which otherwise would not be economically productive. For the year ended March 31, 2009, the royalties received under these programs were reduced by $671,066 (2008 - $778,295).

(In thousands)

Note 16 Bitumen Conservation

In 2004-05 the Alberta Energy and Utilities (EUB) Board released its Bitumen Conservation Requirements decisions regarding the status of natural gas wells in the Wabiskaw-McMurray region of the Athabasca Oil Sands area. The decisions recommended the shut-in of Wabiskaw-McMurray natural gas totaling about 53.6 billions of cubic feet annually to protect about 25.5 billion barrels of potentially recoverable bitumen. The Natural Gas Royalty Regulations, 2002 was amended to provide a royalty mechanism that would allow the Minister of Energy to calculate a royalty adjustment each month for gas producers affected by the EUB decisions. The Natural Gas Royalty Regulations, 2002 was also amended to provide for the royalty adjustment to be recovered through additional royalty on the shut-in wells when they return to production through amendments to the provisions that deal with the calculation of the royalty share of gas. The amendments provide for an increase over and above the usual royalty rate, and extend to new wells that produce from the shut-in zone. The effect of these adjustments was to reduce natural gas and by-products revenue by $132,018 (2008 - $100,763).

Note 17 Discontinued Program

On September 27, 2006 the Minister of Energy announced that the Government of Alberta would eliminate the Alberta Royalty Tax Credit Program (ARTC) as of January 1, 2007.

Note 18 Approval of Financial Statements

The financial statements were approved by the Deputy Minister and the Senior Financial Officer of the Department.

Consolidated Schedule of Revenue
For the year ended March 31, 2009

(in thousands)

	2009		2008
	Budget	Actual	Actual
Non-renewable resource revenue			
Natural gas and by-products	$ 5,684,000	$ 5,834,006	$ 5,198,850
Synthetic crude oil and bitumen	3,402,000	2,973,132	2,913,102
Crude oil royalties	1,601,000	1,800,120	1,654,801
Bonuses and sale of crown leases	868,000	1,112,403	1,127,936
Rentals and fees	140,000	159,865	158,748
Coal	14,000	35,770	13,965
Alberta royalty tax credit	-	-	(43,658)
	11,709,000	11,915,296	11,023,744
Freehold mineral rights tax	318,000	260,913	246,799
Industry levies and licenses	140,400	140,567	90,552
Other revenue			
Other	9,759	39,975	48,456
Interest	2,500	2,661	2,853
	12,259	42,636	51,309
Total Revenues	$ 12,179,659	$ 12,359,412	$ 11,412,404

Ministry of Energy **Schedule 2**

Consolidated Schedule of Expenses Detailed by Object
For the year ended March 31, 2009
(in thousands)

	2009		2008
	Budget	Actual	Actual
Salaries, wages and employee benefits	$ 194,757	$ 181,536	$ 150,197
Supplies and services	86,097	85,597	63,494
Amortization of capital assets	17,088	20,699	14,210
Well abandonment	13,000	12,727	13,468
Grants	92,300	93,904	54,822
Valuation adjustments	35	785	663
Financial transactions and other	120	122	78
Gross expenses for operations	403,397	395,370	296,932
Less: Recovery from support service agreements with related parties	(600)	(570)	(553)
Total Net Expenses	$ 402,797	$ 394,800	$ 296,379

Ministry of Energy **Schedule 3**

Consolidated Schedule of Allocated Costs
For the year ended March 31, 2009

(in thousands)

	2009					2008
		Expenses Incurred by Others				
Program	Directly Incurred Expenses [1]	Accommodation Costs	Legal Costs	Other Services	Total Expenses	Total Expenses
Energy and utility regulation	$ 218,519	164	$ -	$ -	$ 218,683	$ 165,441
Resource development and management	174,228	4,294	2,991	575	182,088	135,421
Ministry support services	2,053	226	66	-	2,345	2,510
	$ 394,800	$ 4,684	$ 3,057	$ 575	$ 403,116	$ 303,372

(1) Expenses - Directly Incurred as per Statement of Operations.

DEPARTMENT OF ENERGY

FINANCIAL STATEMENTS
For the year ended March 31, 2009

Auditor's Report
Statement of Operations
Statement of Financial Position
Statement of Cash Flows
Notes to the Financial Statements
Schedules to the Financial Statements

AUDITOR
GENERAL
Alberta

Auditor's Report

To the Minister of Energy

I have audited the statement of financial position of the Department of Energy as at March 31, 2009 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Department's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Department as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original signed by Fred J. Dunn, FCA

FCA
Auditor General

Edmonton, Alberta
June 3, 2009

Department of Energy

Statement of Operations
For the year ended March 31, 2009
(in thousands)

	2009		2008
	Estimates (Schedule 3)	Actual	Actual
Revenues: (Schedule 1)			
Non-renewable resource revenue	$ 11,709,000	$ 11,915,296	$ 11,023,744
Freehold mineral rights tax	318,000	260,913	246,799
Other revenue	500	29,756	38,272
	12,027,500	12,205,965	11,308,815
Expenses - directly incurred (Note 2b and schedule 6)			
Voted (Schedules 2 and 3)			
Ministry support services	2,099	2,053	2,204
Resource development and management	184,761	173,442	128,572
Energy and utilities regulation	70,543	70,543	73,743
	257,403	246,038	204,519
Statutory (Schedules 2 and 3)			
Valuation adjustments			
Provision for doubtful accounts	35	-	-
Provision for vacation pay	-	785	663
	35	785	663
	257,438	246,823	205,182
Net Operating Results	$ 11,770,062	$ 11,959,142	$ 11,103,633

The accompanying notes and schedules are part of these financial statements.

Department of Energy

Statement of Financial Position
As at March 31, 2009
(in thousands)

	2009	2008
Assets:		
Cash	$ 438,807	$ 724,469
Accounts receivable (Note 3)	570,521	2,082,136
Prepaid expenses	209	700
Tangible capital assets (Note 4)	29,940	24,515
	$ 1,039,477	$ 2,831,820
Liabilities:		
Accounts payable and accrued liabilities (Note 5)	$ 174,708	$ 305,452
Gas royalty deposits (Note 6)	1,040,214	986,123
Unearned revenue	70,129	69,842
	1,285,051	1,361,417
Net (Liabilities) Assets:		
Net assets, beginning of year	1,470,403	1,347,741
Net operating results	11,959,142	11,103,633
Net transfer to general revenues	(13,675,119)	(10,980,971)
Net (liabilities) assets, end of year	(245,574)	1,470,403
	$ 1,039,477	$ 2,831,820

The accompanying notes and schedules are part of these financial statements.

Department of Energy

Statement of Cash Flows
For the year ended March 31, 2009
(in thousands)

	2009	2008
Operating transactions:		
Net operating results	$ 11,959,142	$ 11,103,633
Non-cash items included in net operating results		
Amortization	4,481	4,352
Valuation adjustments	785	663
	11,964,408	11,108,648
Decrease (increase) in accounts receivable	1,511,615	(250,892)
Decrease (increase) in prepaid expenses	491	(700)
Increase (decrease) in accounts payable and accrued liabilities	(131,529)	159,037
Increase (Decrease) in unearned revenue	287	(65)
Cash provided by operating transactions	13,345,272	11,016,028
Financing transactions:		
Net transfer to General Revenues	(13,675,119)	(10,980,971)
Increase (decrease) in gas royalty deposits	54,091	(6,193)
Cash applied to financing transactions	(13,621,028)	(10,987,164)
Capital transactions:		
Purchase of tangible capital assets (Schedule 3)	(9,906)	(8,382)
Cash used by capital transactions	(9,906)	(8,382)
Increase (Decrease) increase in cash	(285,662)	20,482
Cash, beginning of year	724,469	703,987
Cash, end of year	$ 438,807	$ 724,469

The accompanying notes and schedules are part of these financial statements.

Department of Energy

Notes to the Financial Statements
March 31, 2009
(in thousands)

Note 1 Authority

The Department of Energy operates under the authority of the *Government Organization Act*, Chapter G-10, Revised Statutes of Alberta 2000.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants (PSAB). The PSAB financial statements presentation standard for government summary financial statements has been modified to more appropriately reflect the nature of the departments.

(a) Reporting Entity

The reporting entity is the Department of Energy, which is part of the Ministry of Energy and for which the Minister of Energy is accountable. Other entities reporting to the Minister are the Alberta Petroleum Marketing Commission, the Energy Resource Conservation Board and the Alberta Utilities Commission. The activities of these organizations are not included in these financial statements. The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of the Ministry's operations for which the Minister is accountable.

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the Minister of Finance and Enterprise. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net financing for General Revenues is the difference between all cash receipts and all cash disbursements made.

(b) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services which have not been provided by year end is recorded as unearned revenue. The provincial royalty system is predicated on self-reporting where the petroleum and natural gas industry is expected to understand the relevant energy legislation (statutes and regulations) and comply with them. This has an impact on the completeness of revenue when the petroleum and natural gas industry do not fully meet the legislative requirements, for example, report inaccurate or incomplete production data. The Department has implemented systems and controls in order to detect and correct situations where the petroleum and natural gas industry has not complied with the various Acts and Regulations the Department administers. These systems and controls, based on areas of highest risk, include performing audits of the petroleum and natural gas industry records where determined necessary by the Department. The Department does not estimate the effect of misreported revenue.

Crude oil and natural gas royalties are determined based on monthly production. Revenue is recognized when the resource is produced by the mineral rights holders.

Synthetic crude oil and bitumen royalties are determined based on revenues from production sold by projects less the costs of that production and the costs of selling the Crown's royalty share. Royalty revenue is recognized when the resource is produced by the mineral rights holders.

Freehold mineral taxes are determined at the end of a calendar year based on production and costs of production incurred in the calendar year. Revenue is recognized on a prorated basis, by month, of the estimated calendar year taxes and royalty that will be due to the Crown.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(b) Basis of Financial Reporting (continued)

Revenues

Revenue from bonuses and sales of Crown leases is recognized when the Crown leases are sold. Rentals and fees revenue is recognized over the term of the leases.

Directly Incurred

Directly incurred expenses are those costs the department has primary responsibility and accountability for, as reflected in the Government's budget documents.

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets.
- pension costs which comprise the cost of employer contributions for current service of employees during the year.
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay.

Grants are recognized as expenses when authorized and eligibility criteria, if any, are met.

Incurred by Others

Services contributed by other entities in support of the department operations are disclosed in Schedule 6.

Assets

Financial assets of the Department are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals as well as inventories held for resale.

Assets acquired by right are not included. Tangible capital assets of the Department are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is $100 and the threshold for all other tangible capital assets is $5.

Liabilities

Liabilities are recorded to the extent that they represent obligations as a result of events and transactions occurring prior to the end of fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Net (Liabilities) Assets

Net (liabilities) assets represent the difference between the carrying value of assets held by the Department and its liabilities.

Department of Energy

Notes to the Financial Statements
March 31, 2009
(in thousands)

Note 3 Accounts Receivable

Accounts receivable is secured by a claim against the mineral leases.

Note 4 Tangible Capital Assets

	Equipment	Computer hardware and software	2009 Total	2008 Total
Estimated Useful Life	3 to 10 years	10 years		
Historical Cost				
Beginning of year	$ 15,951	$ 73,739	$ 89,690	$ 81,308
Additions	1,342	8,564	9,906	8,382
	$ 17,293	$ 82,303	$ 99,596	$ 89,690
Accumulated Amortization				
Beginning of year	$ 11,560	$ 53,615	$ 65,175	$ 60,823
Amortization expense	1,536	2,945	4,481	4,352
	$ 13,096	$ 56,560	$ 69,656	$ 65,175
Net Book Value at March 31, 2009	$ 4,197	$ 25,743	$ 29,940	
Net Book Value at March 31, 2008	$ 4,391	$ 20,124		$ 24,515

Historical cost includes work-in-progress at March 31, 2009 totaling $5,981 (2008 - $1,957) for computer software.

Note 5 Accounts Payable and Accrued Liabilities

	2009	2008
Trade	$ 51,431	$104,819
Royalty programs and overpayments	115,178	174,057
Alberta royalty tax credit	8,099	26,576
	$ 174,708	$305,452

Note 6 Gas Royalty Deposits

The Department requires that natural gas producers maintain a deposit equal to one-sixth of the prior calendar year's royalties multiplied by the ratio of the long term gas reference price on the date which the recalculation of the gas deposits is determined to the prior calendar year average gas reference price. The Department does not pay interest on the deposits.

Note 7 Contractual Obligations

As at March 31, 2009, the Department has commitments totaling $26,638 (2008 - $72,797). These commitments will become expenses of the Department when terms of the contracts are met. Payments in respect of these contracts and agreements are subject to the voting of supply by the Legislature.

These amounts include obligations under long-term contracts with contract payment requirements in future years of:

	Grant Agreements	Service Contracts	Total
2010	$ 7,935	$ 11,745	$ 19,680
2011	6,153	805	6,958
	$ 14,088	$ 12,550	$ 26,638

Note 8 Contingencies and Other Liabilities

Set out below are details of contingencies resulting from administrative actions and litigation, other than those reported as liabilities.

(a) Land Claims

The government identifies and sets aside specific tracts of land to satisfy land claims made by Indian Bands. The claims related to these lands are under negotiation but are not yet resolved. In one instance, the Department may have to revoke 23 petroleum and natural gas dispositions for which the government accepted bonus, rental payments, and royalties. When these land claims will be resolved is unknown. In the opinion of management, any losses that may result from the eventual settlement of these land claims cannot be determined at this time.

(b) Legal Claims

At March 31, 2009 the Department is a defendant in seven legal claims (2008 – five legal claims). Five of these claims have specified amounts totaling $1,375,596 and the remaining two claims have no specified amount (2008 – four with specified amounts totaling $1,375,243 and one claim with no specified amount). The Department has been jointly named with other entities in all the claims (2008 - two with specified amounts totaling $1,372,500). No claims (2008 – One claim - $572,500) are covered by the Alberta Risk Management Fund.

The resulting loss, if any, from these claims cannot be determined.

Note 9 Trust Funds Under Administration

The Department administers the Oil and Gas Conservation Trust which is a regulated fund consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the fund and administers the fund for the purpose of various trusts, the fund is not included in the Department's financial statements.

As at March 31, 2009, the funds in the Oil and Gas Conservation Trust was $3,718 (2008 - $3,089).

Note 10 Measurement Uncertainty

Measurement uncertainty exists when there is a significant variance between the amount recognized in the financial statements and another reasonably possible amount. Natural gas and by-products revenue recorded as $5,834,006 and synthetic crude oil and bitumen royalties recorded as $2,973,131 in these financial statements is subject to measurement uncertainty.

Natural gas and by-products revenue is caculated based on allowable costs incurred by the royalty payers and production volumes that are reported to the Department by royalty payers. These costs and volumes could vary significantly from that initially reported. The Department estimates what the costs, volumes and royalty rates for the fiscal year should be based on statistical analysis of industry data. Based on historical data, natural gas and by-products revenue could change by $175,000.

For projects from which synthetic crude oil and bitumen royalties are paid and the project has reached payout, the royalty rate used to determine the royalties is based on the average price of West Texas Intermediate crude oil in Canadian dollars for the calendar year. Royalty rates will start at 25% of net profits when oil is priced at fifty five dollars per barrel or less, and increase to a maximum of 40% of net profits when oil is priced at one hundred and twenty dollars or more. The price used to estimate the royalties for production in January, February and March 2009 was fifty seven dollars and fifty five cents. If the price of bitumen exceeds sixty three dollars then the change in royalties will be significant. Payout is defined at the first date at which the cumulative revenue of a project first equals the cumulative cost of the project.

Note 11 Defined Benefits Plans

The Department participates in the multi-employer Management Employees Pension Plan and Public Service Pension Plan. The Department also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $4,839 for the year ended March 31, 2009 (2008 – $4,229).

At December 31, 2008, the Management Employees Pension Plan reported a deficiency of $568,574 (2007 – $84,341) and the Public Service Pension Plan reported a deficiency of $1,187,538 (2007 – $92,509 as restated). At December 31, 2008, the Supplementary Retirement Plan for Public Service Managers had a deficiency of $7,111 (2007 – surplus of $1,510).

The Department also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2009, the Bargaining Unit Plan reported an actuarial deficiency of $33,540 (2008 – $6,319) and the Management, Opted Out and Excluded Plan an actuarial deficiency of $1,051 (2008 – actuarial surplus of $7,874). The expense for these two plans is limited to the employer's annual contributions for the year.

Note 12 Royalty Reduction Programs

The Department provides twelve oil and gas royalty reduction programs. These programs reduce Crown royalties to encourage industry to produce from wells which otherwise would not be economically productive. For the year ended March 31, 2009, the royalties received under these programs were reduced by $671,066 (2008 - $778,295).

Note 13 Bitumen Conservation

In 2004-05 the Alberta Energy and Utilities (EUB) Board released its Bitumen Conservation Requirements decisions regarding the status of natural gas wells in the Wabiskaw-McMurray region of the Athabasca Oil Sands area. The decisions recommended the shut-in of Wabiskaw-McMurray natural gas totaling about 53.6 billions of cubic feet annually to protect about 25.5 billion barrels of potentially recoverable bitumen. The Natural Gas Royalty Regulations, 2002 was amended to provide a royalty mechanism that would allow the Minister of Energy to calculate a royalty adjustment each month for gas producers affected by the EUB decisions. The Natural Gas Royalty Regulations, 2002 was also amended to provide for the royalty adjustment to be recovered through additional royalty on the shut-in wells when they return to production through amendments to the provisions that deal with the calculation of the royalty share of gas. The amendments provide for an increase over and above the usual royalty rate, and extend to new wells that produce from the shut-in zone. The effect of these adjustments was to reduce natural gas and by-products revenue by $132,018 (2008 - $100,469).

Note 14 Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash, accounts receivable, accounts payable and accrued liabilities, and gas royalty deposits are estimated to approximate their carrying values because of the short-term nature of these instruments.

Note 15 Discontinued Program

On September 27, 2006 the Minister of Energy announced that the Government of Alberta would eliminate the Alberta Royalty Tax Credit Program (ARTC) as of January 1, 2007.

Note 16 Approval of Financial Statements

The financial statements were approved by the Deputy Minister and the Senior Financial Officer.

Department of Energy

Schedule 1

Schedule to Financial Statements
Revenues
For the year ended March 31, 2009
(in thousands)

	2009		2008
	Budget	Actual	Actual
Non-renewable Resource Revenue:			
Natural gas and by-products royalty	$ 5,684,000	$ 5,834,006	$ 5,198,850
Synthetic crude oil and bitumen royalty	3,402,000	2,973,132	2,913,102
Crude oil royalty	1,601,000	1,800,120	1,654,801
Bonuses and sales of crown leases	868,000	1,112,403	1,127,936
Rentals and fees	140,000	159,865	158,748
Coal royalty	14,000	35,770	13,965
Royalty tax credit	-	-	(43,658)
	11,709,000	11,915,296	11,023,744
Freehold Mineral Rights Tax	318,000	260,913	246,799
Other Revenue	500	29,756	38,272
Total Revenue	$ 12,027,500	$ 12,205,965	$ 11,308,815

Schedule to Financial Statements
Expense - Directly Incurred Detailed by Object
For the year ended March 31, 2009

(in thousands)

	2009		2008
	Budget	Actual	Actual
Voted			
Grants	$ 162,843	$ 164,447	$ 129,065
Salaries, Wages & Employee Benefits	57,668	55,946	51,149
Supplies and Services	32,784	21,612	20,428
Amortization Of Tangible Capital Assets	4,588	4,481	4,352
Financial Transactions and Other	120	122	78
Total Voted Expenses before Recoveries	258,003	246,608	205,072
Less: Recovery from Support Service Arrangements with Related Parties [(a)]	(600)	(570)	(553)
Total Voted Expenses	$ 257,403	$ 246,038	$ 204,519
Statutory			
Valuation adjustments			
Provision for doubtful accounts	$ 35	$ -	$ -
Provision for vacation pay	-	785	663
	$ 35	$ 785	$ 663

(a) The Department provides financial services to Tourism, Parks, Recreation and Culture and Sustainable Resource Development.

Schedule to Financial Statements

Comparison of Expense - Directly Incurred , Equipment/Inventory Purchases and Statutory Expenses, by Element to Authorized Budget

For the year ended March 31, 2009
(in thousands)

	2008-2009 Authorized Budget	Actual Expense (a)	Unexpended (Over Expended)
Expenses:			
Voted Expense, Equipment/Inventory Purchases			
Program 1 - Ministry Support Services			
1.0.1 Minister's Office	$ 390	$ 487	$ (97)
1.0.2 Standing Policy Committee on Energy and Sustainable Development	-	-	-
1.0.3 Deputy Ministers' Office	500	535	(35)
1.0.4 Communications	1,209	1,031	178
	2,099	2,053	46
Program 2 - Resource Development and Management			
2.0.1 Revenue Collection			
- Operating Expense	54,209	48,383	5,826
- Equipment/Inventory Purchases	3,915	5,304	(1,389)
2.0.2 Resource Development			
- Operating Expense	34,552	30,917	3,635
- Equipment/Inventory Purchases	-	4,602	(4,602)
2.0.3 Energy Innovation Fund Initiatives	18,000	10,826	7,174
2.0.4 Biofuel Initiatives	58,000	61,533	(3,533)
2.0.5 Conservation and energy Efficiency Initiatives	20,000	21,783	(1,783)
	188,676	183,348	5,328
Program 3 - Energy and Utilities Regulation			
3.0.1 Assistance to the Alberta Energy and Utilities Board	70,543	70,543	-
Total Voted Expenses	$ 261,318	$ 255,944	$ 5,374
Program Operating Expense	$ 257,403	$ 246,038	$ 11,365
Program Capital Investment	3,915	9,906	(5,991)
Total Voted Expenses	$ 261,318	$ 255,944	$ 5,374
Statutory Expenses:			
Valuation adjustments			
Program 2.1.1 Revenue Collection	$ 35	$ 785	$ (750)
	$ 35	$ 785	$ (750)

(a) Includes achievement bonus of $1,936

Department of Energy **Schedule 4**

Schedule to Financial Statements
Salaries and Benefits Disclosure
For the year ended March 31, 2009

(in thousands)

	2009				2008
	Salary (1)	Other Cash Benefits (2)	Other Non-cash Benefits (3)	Total	Total
Deputy Minister (4)	$ 254	$ 75	$ 61	$ 390	$ 332
Executives					
Assistant Deputy Minister - Royalty Impementation(5)	178	25	40	243	232
Assistant Deputy Minister - Energy Future and Strategic Relations(6)	178	25	43	246	231
Assistant Deputy Minister - Energy Policy & Research(7)	177	29	42	248	180
Assistant Deputy Minister - Resource Revenue & Operations(8)	106	26	26	158	-
Assistant Deputy Minister - Electricity & Alternative Energy(9)	103	20	29	152	-
Assistant Deputy Minister - Corporate Services(8)	106	22	28	156	-
Excutive Director - Oil Sands Operations(10)	117	22	26	165	-
Executive Director - Human Resources(11)	127	10	33	170	190
Executive Director - Corporate Energy Strategy Development (12)	-	-	-	-	176
Executive Director - Policy, Planning & External Relations (12)	-	-	-	-	205

Total salary and benefits relating to a position are disclosed.

(1) Salary includes regular base pay.

(2) Other cash benefits include bonuses, overtime, vacation payout and lump sum payments.

(3) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, supplementary retirement plans, healthcare, dental coverage, group life insurance, long and short term disability plan, professional memberships and tuition fees.

(4) Automobile provided, no dollar amount included in other non-cash benefits.

(5) On July 21, 2008 the Deputy Minister announced a revised executive team structure. Prior to this date this individual was responsible for the functions of Assistant Deputy Minister - Mineral Development & Strategic Resources.

(6) On July 21, 2008 the Deputy Minister announced a revised executive team structure. Prior to this date this individual was responsible for the functions of Assistant Deputy Minister - Oil Development.

(7) On July 21, 2008 the Deputy Minister announced a revised executive team structure. Prior to this date this individual was responsible for the functions of Assistant Deputy Minister - Natural Gas.

(8) On July 21, 2008 the Deputy Minister announced a revised executive team structure. This position was occupied by an individual in an acting position during the year.

(9) On July 21, 2008 the Deputy Minister announced a revised executive team structure. This position was not occupied until August 2009.

(10) On July 21, 2008 the Deputy Minister announced a revised executive team structure. Prior to this date this function was carried out by the Assistant Deputy Ministry - Oil Development.

(11) This position was occupied by two individuals during the year.

(12) On July 21, 2008 the Deputy Minister announced a revised executive team structure. This position was not on the executive team.

Schedule to Financial Statements
Related Party Transactions
For the year ended March 31, 2009
(in thousands)

Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements. Related parties also include management in the Department.

The Department and its employees paid or collected certain taxes and fees set by regulation for permits, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Department had the following transactions with related parties recorded on the Statement of Operations at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		Other Entities	
	2009	2008	2009	2008
Expenses - Directly Incurred:				
Grants	$ 70,543	$ 73,743	$ -	$ -
Other services	2,059	2,524	4	4
	$ 72,602	$ 76,267	$ 4	$ 4

The above transactions do not include support service arrangement transactions disclosed in schedule 2.

The Department also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements and are disclosed in schedule 6.

	Entities in the Ministry		Other Entities	
	2009	2008	2009	2008
Expenses - Incurred by Others:				
Accommodation	$ -	$ -	$ 4,520	$ 4,329
Travel	-	-	575	409
Legal	-	-	3,057	2,255
	$ -	$ -	$ 8,152	$ 6,993

Department of Energy

Schedule 6

Schedule to Financial Statements
Allocated Costs
For the year ended March 31, 2009
(in thousands)

	2009						2008
		Expenses Incurred by Others			Valuation Adjustments		
Program	Directly Incurred Expenses (1)	Accommodation Costs	Transportation Costs	Legal Services	Vacation Pay	Total Expenses	Total Expenses
Ministry Support Services	$ 2,053	$ 226	$ -	$ 66	$ -	$ 2,345	$ 2,510
Resource Development and Management	173,442	4,294	575	2,991	785	182,087	135,921
Energy and Utilities Regulation	70,543	-	-	-	-	70,543	73,744
	$ 246,038	$ 4,520	$ 575	$ 3,057	$ 785	$ 254,975	$ 212,175

(1) Expenses - Directly Incurred as per Statement of Operations, excluding valuation adjustments.

ENERGY RESOURCES CONSERVATION BOARD

FINANCIAL STATEMENTS

For the year ended March 31, 2009
(with comparatives for the three months ended March 31, 2008)

Auditor's Report
Statement of Operations
Statement of Financial Position
Statement of Cash Flows
Notes to the Financial Statements
Schedules to the Financial Statements

AUDITOR
GENERAL
Alberta

Auditor's Report

To the Members of the Energy Resources Conservation Board

I have audited the statement of financial position of the Energy Resources Conservation Board as at March 31, 2009 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original signed by Fred J. Dunn, FCA

FCA
Auditor General

Edmonton, Alberta
May 15, 2009

Energy Resources Conservation Board

Statement of Operations
(in thousands)

	Estimates (Schedule 3) 2009	Actual	
		Year ended March 31, 2009	Three months ended March 31, 2008
Revenues			
Industry levies and assessments	$ 108,555	$ 108,650	$ 12,072
Provincial grant	70,543	70,543	5,100
Information, services and fees	9,259	10,007	3,427
Investment	2,500	2,201	320
	190,857	191,401	20,919
Expenses			
Energy regulation (Schedule 1)	171,257	177,629	42,753
Orphan abandonment (Note 3)	13,000	12,727	12,292
	184,257	190,356	55,045
Net operating results	$ 6,600	$ 1,045	$ (34,126)

The accompanying notes and schedules are an integral part of these financial statements.

Energy Resources Conservation Board

Statement of Financial Position
(in thousands)

	March 31, 2009	March 31, 2008
Assets		
Current		
Cash (Note 4)	$ 33,021	$ 29,388
Security deposits (Note 5)	35,941	31,224
Accounts receivable	4,451	2,694
Prepaid expenses	2,407	2,053
	75,820	65,359
Long term receivables	860	546
Computer software (Note 6)	29,574	32,302
Property and equipment (Note 7)	15,495	12,410
Accrued pension asset (Note 8)	7,423	7,295
	129,172	$ 117,912
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 26,638	$ 19,409
Grant payable to Orphan Well Association	8,916	9,897
Security deposits (Note 5)	35,941	31,224
Unearned revenue	1,523	1,548
Current portion of deferred lease incentives	642	725
	73,660	62,803
Deferred lease incentives	428	1,070
Total liabilities	74,088	63,873
Net Assets		
Net assets, beginning of period	54,039	88,165
Net operating results	1,045	(34,126)
Net assets, end of period	55,084	54,039
	$ 129,172	$ 117,912

The accompanying notes and schedules are an integral part of these financial statements.

Energy Resources Conservation Board

Statement of Cash Flows
(in thousands)

	Year ended March 31, 2009	Three months ended March 31, 2008
Operating Activities		
Net operating results	$ 1,045	$ (34,126)
Non-cash expenses		
Amortization	14,552	2,277
Pension	7,120	1,659
Changes in operating non-cash working capital		
Increase in accounts receivable	(1,757)	(148)
Increase in prepaid expenses	(354)	(617)
Increase in accounts payable and accrued liabilities	7,229	8,015
(Decrease) increase in grant payable to Orphan Well Association	(981)	9,786
(Decrease) in unearned revenue	(25)	(147)
Changes in long term receivables	(314)	(19)
	26,515	(13,320)
Investing Activities		
Investment in computer software	(7,610)	(3,298)
Investment in property and equipment	(7,299)	(1,504)
	(14,909)	(4,802)
Financing Activities		
Pension obligations funded	(7,248)	(1,561)
Lease incentives repaid	(725)	(182)
	(7,973)	(1,743)
Net cash provided (used)	3,633	(19,865)
Cash, beginning of period	29,388	49,253
Cash, end of period	$ 33,021	$ 29,388

The accompanying notes and schedules are an integral part of these financial statements.

Energy Resources Conservation Board

Notes to the Financial Statements
(in thousands)

Note 1 Authority and Purpose

The Energy Resources Conservation Board (ERCB) is an independent and quasi-judicial agency of the Government of Alberta. The ERCB's mission is to ensure that the discovery, development and delivery of Alberta's energy resources take place in a manner that is fair, responsible and in the public interest.

The ERCB was established January 1, 2008 as a result of the realignment of Alberta Energy and Utilities Board (EUB) into two independent regulatory organizations, the ERCB and the Alberta Utilities Commission (AUC). The ERCB operates under the Energy Resources Conservation Act, RSA 2000, Chapter E-10.

Note 2 Significant Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. Significant accounting policies are summarized as follow:

(a) Revenue recognition

All grants provided by Government of Alberta organizations, industry levies and assessments are recognized as revenue in the period receivable.

(b) Amortization

All tangible and intangible assets with an economic life greater than one year are recorded at cost and are amortized using the following methods:

Computer software - developed	Declining balance - 30 per cent per year
Computer software – purchased	Straight line – 4 years
Furniture and equipment	Straight line - 3 to 20 years
Computer hardware	Straight line - 3 to 5 years
Leasehold improvements	Straight line - lease term to a maximum of 10 years

(c) Pension

Accrued pension benefit obligations are actuarially determined using the projected benefit method prorated on length of service and management's best estimate of expected plan investment performance, projected employees' compensation levels and length of service to the time of retirement.

For the purpose of calculating the expected return, plan assets are valued at fair value.

Net accumulated actuarial gain or loss is deferred and amortized over the average remaining service period of the active employees, which is 8 years.

Past service costs arising from plan amendments are deferred and amortized on a straight-line basis over the average remaining service period of active employees at the date of amendment.

Defined contribution plan accounting is applied to Government of Alberta multi-employer defined benefit pension plans as the ERCB has insufficient information to apply defined benefit plan accounting.

Note 2 Significant Accounting Policies (continued)

(d) Deferred lease incentives

Deferred lease incentives are amortized on a straight-line basis over the term of the lease.

(e) Valuation of financial assets and liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair values of accounts receivable, accounts payable and accrued liabilities, grant payable to Orphan Well Association and security deposits are estimated to approximate their carrying values.

Note 3 Orphan Abandonment

The ERCB has delegated the authority to manage the abandonment and reclamation of wells, facilities and pipelines that are licensed to defunct licensees to the Alberta Oil and Gas Orphan Abandonment and Reclamation Association (Orphan Well Association). The ERCB grants all of its orphan abandonment revenues (levy and application fees) to the Orphan Well Association. During the year ended March 31, 2009 the ERCB levied the oil and gas industry $12,087 ($12,072 for the three months ended March 31, 2008) and collected $640 ($220 for the three months ended March 31, 2008) in application fees.

Note 4 Cash

Cash consists of a deposit in the Consolidated Cash Investment Trust Fund which is managed by the Province of Alberta to provide interest income at competitive rates while maintaining maximum security and liquidity of depositors' capital. The Fund is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of three years. As at March 31, 2009, securities held by the Fund have a time-weighted return of 3.0% per annum (2008: 4.5% per annum).

Note 5 Security Deposits

The ERCB encourages the timely and proper abandonment and reclamation of upstream wells, facilities, pipelines and oilfield waste management facilities by holding various forms of security. At March 31, 2009, the ERCB held $35,941 (March 31, 2008: $31,224) in cash and an additional $138,130 (March 31, 2008: $118,525) in letters of credit. The security, along with any interest earned, will be returned to the depositor upon meeting specified refund criteria.

Note 6 Computer Software

	March 31, 2009			March 31, 2008
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer software	$ 65,989	$ 40,173	$ 25,816	$ 20,465
Software under development	3,758	-	3,758	11,837
	$ 69,747	$ 40,173	$ 29,574	$ 32,302

Computer software assets with a net book value of $0 (Cost: $2,356; Accumulated Amortization: $2,356) with no remaining economic life were decommissioned during the year ended March 31, 2009.

Note 7 Property and Equipment

	March 31, 2009			March 31, 2008
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer hardware	$ 12,618	$ 7,301	$ 5,317	$ 3,822
Leasehold improvements	11,537	8,033	3,504	3,654
Furniture and equipment	13,074	6,720	6,354	4,614
Land	320	-	320	320
	$ 37,549	$ 22,054	$ 15,495	$ 12,410

Property and equipment with a net book value of $0 (Cost: $560; Accumulated Amortization: $560) with no remaining economic life were disposed of during the year ended March 31, 2009.

Note 8 Pension

The ERCB participates in the Government of Alberta's multi-employer pension plans of Management Employees Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. For the year ended March 31, 2009, the expense for these pension plans is equal to the contribution of $5,729 ($1,230 for the three months ended March 31, 2008).

In addition, the ERCB maintains its own defined benefit Senior Employees Pension Plan (SEPP) and two supplementary pension plans to compensate senior staff who do not participate in the government management pension plans. Retirement benefits are based on each employee's years of service and remuneration.

The date used to measure all pension plan assets and accrued benefit obligations was March 31, 2009. The effective date of the most recent actuarial funding valuation for SEPP was December 31, 2008. The effective date of the next required funding valuation for SEPP is December 31, 2011.

Note 8 Pension (continued)

Significant actuarial and economic assumptions used to value accrued benefit obligations and pension costs are as follows:

	March 31, 2009	March 31, 2008
Accrued benefit obligations		
Discount rate	8.6%	6.1%
Rate of compensation increase (weighted average)	3.5%	3.5%
Benefit costs for the year		
Discount rate	6.1%	5.5%
Expected rate of return on plan assets (weighted average)	6.5%	6.0%
Rate of compensation increase (weighted average)	3.5%	3.5%

The funded status and amounts recognized in the Statement of Financial Position are as follows:

	March 31, 2009	March 31, 2008
Fair value of plan assets	$ 24,440	$ 27,737
Accrued benefit obligations	17,690	24,090
Plan surplus	6,750	3,647
Unamortized net actuarial loss	673	3,648
Accrued pension asset	$ 7,423	$ 7,295

Additional information about the defined benefit pension plans is as follows:

	Year ended March 31, 2009	Three months ended March 31, 2008
ERCB contribution	$ 1,519	$ 329
Employees' contribution	319	88
Benefits paid	919	561
Pension benefit costs	1,391	429

The asset allocation of the defined benefit pension plans investments is as follows:

	March 31, 2009	March 31, 2008
Equity securities	40.4%	49.0%
Debt instruments	39.7%	39.9%
Other	19.9%	11.1%
	100.0%	100.0%

Notes to the Financial Statements
(in thousands)

Note 9 Future Operating Lease Commitments

The ERCB leases office and research storage facilities. The future annual minimum operating lease payments, net of lease incentives, are as follows:

2010	$	4,982
2011		3,527
2012		589
2013		482
2014		300
Thereafter		3,620
	$	13,500

Note 10 Related Party Transactions

For the year ended March 31, 2009 the ERCB paid $5,482 ($1,349 for the three months ended March 31, 2008) to various other Government of Alberta organizations for supplies and services. Included in these services was a payment of $3,837 ($938 for the three months ended March 31, 2008) for computing services and a payment of $412 ($103 for the three months ended March 31, 2008) for the lease of a research storage facility from Alberta Infrastructure. The remaining term of this lease is seventy seven years and the future annual payments are $48.

For the year ended March 31, 2009 the ERCB received a grant of $70,543 ($5,100 for the three months ended March 31, 2008) and service revenue of $2,747 ($1,618 for the three months ended March 31, 2008) from Government of Alberta organizations. Included in these services was a receipt of $359 ($266 for the three months ended March 31, 2008) paid by the AUC.

All transactions were in the normal course of operations and measured at the amount of consideration agreed to by the related parties.

Note 11 Comparative Figures

Certain of the 2008 amounts presented for comparative purposes have been reclassified to conform with the presentation adopted in the current year.

Note 12 Approval of financial statements

These financial statements were approved by the Board of the ERCB on May 15, 2009.

Energy Resources Conservation Board **Schedule 1**

Schedule to Financial Statements
Energy Regulation Expenses
(in thousands)

	Year ended March 31, 2009	Three months ended March 31, 2008
Personnel	$ 109,072	$ 28,917
Consulting services	21,151	3,987
Amortization – computer software	10,338	1,148
Buildings	10,270	2,569
Administrative	8,064	2,422
Computer services	7,147	1,436
Travel and transportation	4,887	829
Amortization - property and equipment	4,214	1,129
Abandonment and enforcement	1,645	179
Equipment rent and maintenance	841	137
	$ 177,629	$ 42,753

Energy Resources Conservation Board **Schedule 2**

Schedule to Financial Statement
Salaries and Benefits Disclosure

(in thousands)

	Year ended March 31, 2009				Three months ended March 31, 2008
	Base Salary[a]	Cash Benefits[b]	Non-cash Benefits [c]	Total	Total
Chairman	$ 281	$ 98	$ 11	$ 390	$ 103
Board Member 1	173	62	9	244	51
Board Member 2	165	32	41	238	-
Board Member 3	173	47	4	224	53
Board Member 4	159	16	41	216	-
Board Member 5	173	27	8	208	55
Board Member 6	156	36	9	201	-

(a) Pensionable base pay.

(b) Bonuses and payments in lieu of vacation, health, and pension benefits.

(c) Employer's contributions to all employee benefits including Employment Insurance, Canada Pension Plan, Alberta pension plans, supplementary retirement plans and health benefits or payments made on behalf of the employees for professional memberships, and tuition fees. Automobiles were provided, but no amount is included in these figures.

Energy Resources Conservation Board **Schedule 3**

Schedule to Financial Statement
Authorized Budget
For the year ended March 31, 2009
(in thousands)

	Plan			
	Estimates	Changes	Authorized Budget	Actual
Revenues				
Industry levies and assessments	$ 108,555	$ -	$ 108,555	$ 108,650
Provincial grant	70,543	-	70,543	70,543
Information, services and fees	9,259	523	9,782	10,007
Investment	2,500	-	2,500	2,201
	190,857	523	191,380	191,401
Expenses				
Energy regulation	171,257	3,547	174,804	177,629
Orphan abandonment	13,000	-	13,000	12,727
	184,257	3,547	187,804	190,356
Net operating results	6,600	(3,024)	3,576	1,045
Capital				
Capital investments	18,300	(3,024)	15,276	14,909
Less: Amortization	(11,700)	-	(11,700)	(14,552)
Net capital investment	6,600	(3,024)	3,576	357
	$ -	$ -	$ -	$ 688

Estimates are based on the ERCB Business Plan for the year ended March 31, 2009. The Estimates and Changes have been approved by the Treasury Board of the Government of Alberta as the Authorized Budget.

ALBERTA UTILITIES COMMISSION

FINANCIAL STATEMENTS
For the year ended March 31, 2009

Auditor's Report
Statement of Operations
Statement of Financial Position
Statement of Cash Flows
Notes to the Financial Statements
Schedules to the Financial Statements

AUDITOR
GENERAL
Alberta

Auditor's Report

To the Chair of the Alberta Utilities Commission

I have audited the statement of financial position of the Alberta Utilities Commission as at March 31, 2009 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original signed by Fred J. Dunn, FCA

FCA
Auditor General

Edmonton, Alberta
May 4, 2009

Alberta Utilities Commission

Statement of Operations
For the year ended March 31, 2009
(in thousands)

	2009 Budget (Schedule 3)	2009 Actual	2008 Actual (Note 7)
Revenues			
Administration fees	$ 31,845	$ 31,917	$ -
Investment	-	460	86
Dedicated revenue	-	149	64
Provincial grant	-	-	9,400
	31,845	32,526	9,550
Expenses			
Utility regulation (Schedule 1)	31,645	28,101	6,381
Net operating results	$ 200	$ 4,425	$ 3,169

The accompanying notes and schedules are an integral part of these financial statements.

Alberta Utilities Commission

Statement of Financial Position
As at March 31, 2009
(in thousands)

	2009	2008
Assets		
Current		
Cash (Note 3)	$ 12,215	$ 9,088
Accounts receivable	126	186
Prepaid expenses	415	136
	12,756	9,410
Computer software (Note 4)	2,629	3,403
Property and equipment (Note 5)	5,788	3,283
Accrued pension asset (Note 6)	849	795
	$ 22,022	$ 16,891
Liabilities		
Accounts payable and accrued liabilities	$ 5,389	$ 4,683
Net Assets		
Net assets, opening balance (Note 7)	12,208	9,039
Net operating results	4,425	3,169
Net assets, closing balance	16,633	12,208
	$ 22,022	$ 16,891

The accompanying notes and schedules are an integral part of these financial statements.

Alberta Utilities Commission

Statement of Cash Flows
For the year ended March 31, 2009
(in thousands)

	2009	2008 (Note 7)
Operating transactions		
Net operating results	$ 4,425	$ 3,169
Non-cash expenses		
Amortization	1,666	341
Pension	274	78
Changes in operating non-cash working capital		
Decrease (increase) in accounts receivable	60	(186)
(Increase) decrease in prepaid expenses	(279)	214
Increase in accounts payable and accrued liabilities	706	4,106
Decrease in deferred revenue	-	(43)
	6,852	7,679
Investing transactions		
Investment in computer software	(255)	(812)
Investment in property and equipment	(3,142)	(1,528)
	(3,397)	(2,340)
Financing transactions		
Pension obligations funded	(328)	(10)
Net cash provided	3,127	5,329
Cash, beginning of period	9,088	3,759
Cash, end of period	$ 12,215	$ 9,088

The accompanying notes and schedules are an integral part of these financial statements.

Note 1 Authority and purpose

The Alberta Utilities Commission (AUC or Commission) was established January 1, 2008 and operates under authority of the Alberta Utilities Commission Act, Chapter A-37.2. The Commission is an independent, quasi-judicial agency of the Government of Alberta that ensures the delivery of Alberta's utility services takes place in a manner that is fair, responsible, and in the public interest. The AUC regulates investor owned electric, natural gas and water utilities, as well as some municipally owned electric utilities, to ensure Albertans receive safe and reliable utility service at reasonable rates. The AUC is responsible for making timely decisions on the siting of major natural gas and electricity transmission facilities, as well as power plants. The AUC also makes rules relating to the operation of the retail natural gas and electricity markets, and adjudicates on market and operational rule contraventions that the Market Surveillance Administrator may bring before the AUC.

Note 2 Significant accounting policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. Significant accounting policies are summarized as follow:

(a) Amortization

All tangible and intangible assets with an economic life greater than one year are recorded at cost and are amortized using the following methods:

Computer software	Declining balance - 30 per cent per year
Furniture and equipment	Straight line - 3 to 40 years
Computer hardware	Straight line - 3 to 5 years
Leasehold improvements	Straight line - lease term

(b) Pension

Accrued pension benefit obligations are actuarially determined using the projected benefit method prorated on length of service and management's best estimate of expected plan investment performance, projected employees' compensation levels, and length of service to the time of retirement.

For the purpose of calculating the expected return, plan assets are valued at fair value.

Any actuarial gain or loss is amortized over the average remaining service period of the active employees, which is 7 years.

Past service costs arising from plan amendments are deferred and amortized on a straight-line basis over the average remaining service period of active employees at the date of amendment.

Defined contribution plan accounting is applied to the government multi-employer defined benefit pension plans as the AUC has insufficient information to apply defined benefit plan accounting.

(c) Valuation of financial assets and liabilities

The fair values of accounts receivable, accounts payable and accrued liabilities are estimated to approximate their carrying values. Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

(d) Revenue recognition

All grants provided by Government of Alberta organizations and industry administrative fees are recognized as revenue in the period receivable.

Note 3 Cash

Cash consists of a deposit in the Consolidated Cash Investment Trust Fund which is managed by the Province of Alberta to provide interest income at competitive rates while maintaining appropriate security and liquidity of depositors' capital. The Fund is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of three years. As at March 31, 2009, securities held by the Fund have a time-weighted return of 3% per annum (2008: 4.5%).

Note 4 Computer software

	2009			2008
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer software	$ 5,185	$ 2,556	$ 2,629	$ 3,264
Software under development	-		-	139
	$ 5,185	$ 2,556	$ 2,629	$ 3,403

Note 5 Property and equipment

	2009			2008
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and equipment	$ 1,898	$ 140	$ 1,758	$ 1,446
Computer hardware	1,720	609	1,111	1,190
Leasehold improvements	3,075	156	2,919	647
	$ 6,693	$ 905	$ 5,788	$ 3,283

Property and equipment with a net book value of $6 (Cost: $12 ; Accumulated Amortization: $6) with no remaining economic life were disposed during the year. Accordingly, a loss of $6 is included in Amortization - property and equipment on Schedule 1.

Note 6 Pension

The AUC participates in the Government of Alberta's multi-employer pension plans of Management Employees Pension Plan, Public Service Pension Plan, and Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equal to the contribution of $934 for the year ended March 31, 2009 ($199 for the three months ended March 31, 2008).

In addition, the AUC is a participating member of the defined benefit pension plans of Senior Employees Pension Plan (SEPP) and two supplementary pension plans. These multi-unit pension plans compensate senior staff who do not participate in the government's management pension plans. Retirement benefits are based on each employee's years of service and remuneration.

The date used to measure all pension plan assets and accrued benefit obligations was March 31, 2009. The effective date of the most recent actuarial funding valuation for SEPP was December 31, 2008. The effective date of the next required funding valuation for SEPP is December 31, 2011.

Note 6 Pension, continued

Significant actuarial and economic assumptions used to value accrued benefit obligations and benefit costs are as follows:

	2009	2008
Accrued benefit obligations		
Discount rate	8.6%	6.1%
Rate of compensation increase (weighted average)	3.5%	3.5%
Benefit costs for the year		
Discount rate	6.1%	5.5%
Expected rate of return on plan assets (weighted average)	6.3%	5.8%
Rate of compensation increase (weighted average)	3.5%	3.5%

The funded status and amounts recognized in the Statement of Financial Position are as follows:

	2009	2008
Fair value of plan assets	$ 2,950	$ 2,717
Accrued benefit obligations	2,000	2,211
Plan surplus	950	506
Unamortized net actuarial (gain) loss	(101)	289
Accrued pension asset	$ 849	$ 795

Additional information about the defined benefit pension plans is as follows:

	2009	2008 (Note 7)
AUC contribution	$ 328	$ 10
Employees' contribution	84	34
Benefits paid	-	-
Pension benefit costs	274	78

The asset allocation of the defined benefit pension plans investments is as follows:

	2009	2008
Equity securities	39.0%	49.0%
Debt securities	38.4%	39.9%
Other	22.6%	11.1%
	100.0%	100.0%

Note 7 Net assets opening balance and comparative figures

Effective January 1, 2008 the Alberta Energy and Utilities Board (EUB) was separated into two independent regulatory organizations, the AUC and the Energy Resources Conservation Board (ERCB). The assets, liabilities, and net assets of the EUB as at December 31, 2007 were allocated to the AUC and the ERCB. Comparative figures represent the results for the three month period ended March 31, 2008.

Note 8 Future operating lease commitments

The AUC leases office space in Calgary and Edmonton. The future annual minimum operating lease payments are as follows:

2010	$ 2,653
2011	2,653
2012	2,669
2013	2,486
2014	2,486
Thereafter	10,497
	$ 23,444

Note 9 Related party transactions

For the year ended March 31, 2009 the AUC received $410 ($266 for the three months ended March 2008) of services from, and provided $16 (Nil for the three months ended March 2008) to other Government of Alberta organizations. For the three months ended March 31, 2008, the AUC received a one time grant of $9,400 from the Government of Alberta for start up costs.

All transactions were in the normal course of operations and measured at the amount of consideration agreed to by the related parties.

Note 10 Approval of financial statements

These financial statements were approved by the Commission of the AUC on May 19, 2009.

Schedule 1

Alberta Utilities Commission

Utility Regulation Expenses
For the year ended March 31, 2009
(in thousands)

	2009	2008 (Note 7)
Personnel	$ 16,456	$ 4,711
Rent and maintenance	3,731	140
Computer services	3,351	366
Consulting services	1,542	508
Amortization - computer software	1,029	252
Administrative	920	247
Amortization - property and equipment	637	89
Travel and transportation	435	68
	$ 28,101	$ 6,381

Alberta Utilities Commission

Salaries and Benefits Disclosure
For the year ended March 31, 2009
(in thousands)

	2009				2008
	Base Salary [a]	Other Cash Benefits [b]	Other Non-cash Benefits [c]	Total	Total [d]
Chairman	$ 307	$ 62	$ 75	$ 444	$ 79
Commission Member 1	188	31	48	267	46
Commission Member 2 [e]	173	14	47	234	171
Commission Member 3 [f]	171	47	11	229	-
Commission Member 4 [f]	171	37	12	220	-
Commission Member 5 [g]	158	46	9	213	-
Commission Member 6 [e] [h]	-	-	-	-	138

(a) Includes pensionable base pay.

(b) Includes bonuses and payments in lieu of vacation, health and pension benefits.

(c) Employer's contributions to all employee benefits including Employment Insurance, Canada Pension Plan, Alberta pension plans, supplementary retirement plans and health benefits or payments made on behalf of the employees for professional memberships, and tuition fees. Automobiles were provided but no amount is included in these figures.

(d) Amounts are for the three month period ended March 31, 2008.

(e) In 2008, the Commission Members received payments in lieu of vacation earned during employment with predecessor organization, the Alberta Energy and Utilities Board.

(f) Commission Members were appointed on April 8, 2008.

(g) Commission Member was appointed on May 1, 2008.

(h) Commission Member retired in February 2008.

Schedule 3

Alberta Utilities Commission

Authorized Budget
For the year ended March 31, 2009
(in thousands)

	Plan			
	Budget (Estimate)	Authorized Changes	Authorized Budget	Actual
Revenues				
Administration fees	$ 31,845	$ -	$ 31,845	$ 31,917
Investment	-	700	700	460
Dedicated revenue	-	-	-	149
	31,845	700	32,545	32,526
Expenses				
Utility regulation	31,645	(700)	30,945	28,101
Net capital investment				
Capital investments	1,000	1,700	2,700	3,397
Less: Amortization	(800)	-	(800)	(1,666)
	200	1,700	1,900	1,731
	$ -	$ (300)	$ (300)	$ 2,694

Note:

The Budget is based on the AUC Business Plan for the year ended March 31, 2009. The Budget and changes have been approved by the Government of Alberta.

ALBERTA PETROLEUM MARKETING COMMISSION

FINANCIAL STATEMENTS
December 31, 2008

Auditor's Report

Statement of Operations

Statement of Financial Position

Statement of Cash Flow

Notes to the Financial Statements

AUDITOR
GENERAL
Alberta

Auditor's Report

To the Members of the Alberta Petroleum Marketing Commission

I have audited the statement of financial position of the Alberta Petroleum Marketing Commission as at December 31, 2008 and the statements of operations and cash flow for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original signed by Fred J. Dunn, FCA

FCA
Auditor General

Edmonton, Alberta
June 5, 2009

Alberta Petroleum Marketing Commission
Statement of Operations
For the Year Ended December 31, 2008
(in thousands)

	2008	2007
Crude oil sales	$ 2,220,084	$ 1,570,910
Expense		
Crude oil purchases	183,173	128,698
Transportation	26,490	31,586
Marketing fees	2,045	1,686
Provision for Doubtful Accounts	4,580	-
	216,288	161,970
Excess of sales over expense	2,003,796	1,408,940
Other revenue		
Interest earned	650	605
Penalties collected	1,709	1,143
Fees on marketing	262	211
Other	(6)	6
	2,615	1,965
Net sales (to be transferred to the Province)	$ 2,006,411	$ 1,410,905

The accompanying notes are part of these financial statements.

Alberta Petroleum Marketing Commission

Statement of Financial Position

As At December 31, 2008

(in thousands)

	2008	2007
Assets		
Cash and short-term investments (Note 3)	$ 9,134	$ 17,142
Accounts receivable	76,387	152,140
Inventory	9,736	47,847
	$ 95,257	$ 217,129
Liabilities		
Accounts payable (Note 4)	$ 35,575	$ 48,334
Liability to the Province for inventory held	9,736	47,847
	45,311	96,181
Due to the Province of Alberta (Note 5)	49,946	120,948
	$ 95,257	$ 217,129

The accompanying notes are part of these financial statements.

Alberta Petroleum Marketing Commission
Statement of Cash Flow
For the Year Ended December 31, 2008
(in thousands)

	2008	2007
Operating transactions		
Net sales (to be transferred to the Province)	$ 2,006,411	$ 1,410,905
Change in non-cash working capital		
(Increase) decrease in Accounts receivable	75,753	(29,001)
(Increase) decrease in Inventory	38,111	(35,664)
Increase (decrease) in Accounts payable	(12,759)	24,468
Increase (decrease) in Liability to the Province for inventory held	(38,111)	35,664
Cash provided by operating transactions	2,069,405	1,406,372
Net transfer to the Province of Alberta	(2,077,413)	(1,395,511)
Net increase (decrease) in Cash	(8,008)	10,861
Cash and short term investments at beginning of year	17,142	6,281
Cash and short term investments at end of year	$ 9,134	$ 17,142

The accompanying notes are part of these financial statements.

Alberta Petroleum Marketing Commission
Notes to the Financial Statements
December 31, 2008
(in thousands)

Note 1 Authority

The Alberta Petroleum Marketing Commission (the "Commission") operates under the authority of the *Petroleum Marketing Act*, Chapter P-10, *Revised Statutes of Alberta 2000*, and the *Natural Gas Marketing Act*, Chapter N-1, *Revised Statutes of Alberta 2000*. This legislation designates the Commission as agent of the Province of Alberta to accept delivery of and market the Crown royalty share of crude oil.

Note 2 Significant Accounting Policies

(a) Sales of Crude Oil

Crude oil sales are recognized when the Crown royalty share of crude oil is sold. When producers under-deliver Crown royalty share, and that under-delivered volume is not subsequently delivered, the Commission deems a sale of crude oil to have occurred.

(b) Crude Oil Valuation

The Crown has an agency agreement with Nexen Marketing Inc. to market approximately 90% of the Crown royalty share. The Crown royalty share of crude oil is combined with Agents' supply of like crude. The value of Crown royalty crude oil is based on a pro-rata share of the net results of the Agents' marketing activities, which may include the sale, purchase, and transportation of crude oil. The APMC currently markets the balance of Crown royalty share, the results of which are included in the value of Crown royalty crude oil.

(c) Inventory

Inventory represents Crown royalty oil in feeder and trunk pipelines. At the balance sheet date inventories are stated at net realizable value.

(d) Financial Instruments

Currency and price risks are inherent in the sale and purchase of crude oil. Proceeds of sales by Agents are remitted to the Commission in Canadian funds (Agent sales in foreign currencies are converted to Canadian funds at daily or average monthly rates on or near payment due date.) Proceeds of sale received by APMC in foreign currencies are valued at average monthly rates for the month of sale. Operational oil price hedging may be used to address risk. The fair values of the Commission's assets and liabilities approximate their carrying values as at December 31, 2008.

Note 3 Cash and Short-term Investments

Cash and short-term investments consist of a deposit in the Consolidated Cash Investment Trust Fund which is managed by Alberta Finance to provide competitive interest income while maintaining maximum security and liquidity of depositors' capital. The Fund is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of three years. As at December 31, 2008, securities held by the Fund have a rate of return of 3.53% per annum (2007: 4.48%).

Note 4 Accounts Payable

	2008	2007
Transportation and purchases	$ 21,122	$ 22,466
Goods and services tax	14,453	25,868
	$ 35,575	$ 48,334

Note 5 Due to the Province of Alberta

The amount due to the Province of Alberta represents the difference between the carrying value of assets held by the Commission and its liabilities.

	2008	2007
Due to Province beginning of year	$ 120,948	$ 105,554
Net proceeds (to be transferred to the Province)	2,006,411	1,410,905
Net transfer to the Province	(2,077,413)	(1,395,511)
Due to Province at end of year	$ 49,946	$ 120,948

Note 6 Commitments -

The Commission has entered into transportation agreements for the ensuing three and one quarter years for a portion of its anticipated pipeline requirements. These agreements obligate the Commission to pay tariff charges for contracted volumes in accordance with contracted rates. The aggregate estimated commitment at December 31, 2008 is $30,044 (2007 - $31,201). Due in 2009 - $9,244; 2010 – $9,244; 2011 - $9,244; and 2012 - $2,312. This commitment will be paid from future oil sales revenue. Costs for these pipeline services are expected to be within the range of normal transportation costs. APMC also has the option of contracting the space to other shippers.

Note 7 Related Party Transactions

The Commission accepts delivery of and markets the Crown royalty share of crude oil. The Commission remits the proceeds from the sale of the Crown royalty share of crude oil to the Department of Energy. The Department provides accounting, administrative and other support services to the Commission at no charge.

Note 8 Approval of Financial Statements

The Members of the Commission have approved these financial statements.

Alphabetical List of Entities' Financial Statements in Ministry 2008-09 Annual Reports

ENTITIES INCLUDED IN THE CONSOLIDATED GOVERNMENT REPORTING ENTITY	
Ministry, Department, Fund or Agency	Ministry Annual Report
Access to the Future Fund	Advanced Education and Technology
Agriculture Financial Services Corporation	Agriculture and Rural Development
Alberta Alcohol and Drug Abuse Commission	Health and Wellness
Alberta Cancer Prevention Legacy Fund	Finance and Enterprise
Alberta Capital Finance Authority	Finance and Enterprise
Alberta Energy and Utilities Board[1]	Energy
Alberta Enterprise Corporation[2]	Advanced Education and Technology
Alberta Foundation for the Arts	Culture and Community Spirit
Alberta Gaming and Liquor Commission	Solicitor General and Public Security
Alberta Heritage Foundation for Medical Research Endowment Fund	Finance and Enterprise
Alberta Heritage Savings Trust Fund	Finance and Enterprise
Alberta Heritage Scholarship Fund	Finance and Enterprise
Alberta Heritage Science and Engineering Research Endowment Fund	Finance and Enterprise
Alberta Historical Resources Foundation	Culture and Community Spirit
Alberta Insurance Council	Finance and Enterprise
Alberta Investment Management Corporation[3]	Finance and Enterprise
Alberta Livestock and Meat Agency[4]	Agriculture and Rural Development
Alberta Local Authorities Pension Plan Corporation	Finance and Enterprise
Alberta Pensions Administration Corporation	Finance and Enterprise
Alberta Petroleum Marketing Commission	Energy
Alberta Research Council Inc.	Advanced Education and Technology
Alberta Risk Management Fund	Finance and Enterprise
Alberta School Foundation Fund	Education
Alberta Securities Commission	Finance and Enterprise
Alberta Social Housing Corporation	Housing and Urban Affairs
Alberta Sport, Recreation, Parks and Wildlife Foundation	Tourism, Parks and Recreation
Alberta Treasury Branches	Finance and Enterprise
Alberta Utilities Commission[1]	Energy
ATB Insurance Advisors Inc.	Finance and Enterprise
ATB Investment Management Inc.	Finance and Enterprise
ATB Investment Services Inc.	Finance and Enterprise
ATB Securities Inc.	Finance and Enterprise
Child and Family Services Authorities:	Children and Youth Services
Calgary and Area Child and Family Services Authority	
Central Alberta Child and Family Services Authority	
East Central Alberta Child and Family Services Authority	
Edmonton and Area Child and Family Services Authority	

ENTITIES INCLUDED IN THE CONSOLIDATED GOVERNMENT REPORTING ENTITY	
Ministry, Department, Fund or Agency	Ministry Annual Report
North Central Alberta Child and Family Services Authority	
Northeast Alberta Child and Family Services Authority	
Northwest Alberta Child and Family Services Authority	
Southeast Alberta Child and Family Services Authority	
Southwest Alberta Child and Family Services Authority	
Métis Settlements Child and Family Services Authority	
C-FER Technologies (1999) Inc.	Advanced Education and Technology
Climate Change and Emissions Management Fund[5]	Environment
Credit Union Deposit Guarantee Corporation	Finance and Enterprise
Colleges:	Advanced Education and Technology
Alberta College of Art and Design	
Bow Valley College	
Grande Prairie Regional College	
Grant MacEwan College	
Keyano College	
Lakeland College	
Lethbridge Community College	
Medicine Hat College	
Mount Royal College	
NorQuest College	
Northern Lakes College	
Olds College	
Portage College	
Red Deer College	
Department of Advanced Education and Technology	Advanced Education and Technology
Department of Agriculture and Rural Development	Agriculture and Rural Development
Department of Children and Youth Services	Children and Youth Services
Department of Culture and Community Spirit	Culture and Community Spirit
Department of Education	Education
Department of Energy	Energy
Department of Finance and Enterprise	Finance and Enterprise
Department of Environment	Environment
Department of Health and Wellness	Health and Wellness
Department of Housing and Urban Affairs	Housing and Urban Affairs
Department of Municipal Affairs	Municipal Affairs
Department of Seniors and Community Supports	Seniors and Community Supports
Department of Solicitor General and Public Security	Solicitor General and Public Security
Department of Sustainable Resource Development	Sustainable Resource Development
Department of Tourism, Parks and Recreation	Tourism, Parks and Recreation
Energy Resources Conservation Board[1]	Energy
Environmental Protection and Enhancement Fund	Sustainable Resource Development

ENTITIES INCLUDED IN THE CONSOLIDATED GOVERNMENT REPORTING ENTITY

Ministry, Department, Fund or Agency	Ministry Annual Report
Gainers Inc.	Finance and Enterprise
Government House Foundation	Culture and Community Spirit
Historic Resources Fund	Culture and Community Spirit
Human Rights, Citizenship and Multiculturalism Education Fund	Culture and Community Spirit
iCORE Inc.	Advanced Education and Technology
Lottery Fund	Solicitor General and Public Security
Ministry of Aboriginal Relations[6]	Aboriginal Relations
Ministry of Advanced Education and Technology	Advanced Education and Technology
Ministry of Agriculture and Rural Development	Agriculture and Rural Development
Ministry of Children and Youth Services	Children and Youth Services
Ministry of Culture and Community Spirit	Culture and Community Spirit
Ministry of Education	Education
Ministry of Employment and Immigration[6]	Employment and Immigration
Ministry of Energy	Energy
Ministry of Environment	Environment
Ministry of Executive Council[6]	Executive Council
Ministry of Finance and Enterprise	Finance and Enterprise
Ministry of Health and Wellness	Health and Wellness
Ministry of Housing and Urban Affairs	Housing and Urban Affairs
Ministry of Infrastructure[6]	Infrastructure
Ministry of International and Intergovernmental Relations[6]	International, and Intergovernmental Relations
Ministry of Justice[6]	Justice
Ministry of Municipal Affairs	Municipal Affairs
Ministry of Seniors and Community Supports	Seniors and Community Supports
Ministry of Service Alberta[6]	Service Alberta
Ministry of Solicitor General and Public Security	Solicitor General and Public Security
Ministry of Sustainable Resource Development	Sustainable Resource Development
Ministry of Tourism, Parks, and Recreation	Tourism, Parks, and Recreation
Ministry of Transportation[6]	Transportation
Ministry of the Treasury Board[6]	Treasury Board
N.A. Properties (1994) Ltd.	Finance and Enterprise
Natural Resources Conservation Board	Sustainable Resource Development
Persons with Developmental Disabilities Community Boards:	Seniors and Community Supports
Calgary Region Community Board	
Central Region Community Board	
Edmonton Region Community Board	
Northeast Region Community Board	
Northwest Region Community Board	
South Region Community Board	
Provincial Judges and Masters in Chambers Reserve Fund	Finance and Enterprise

ENTITIES INCLUDED IN THE CONSOLIDATED GOVERNMENT REPORTING ENTITY

Ministry, Department, Fund or Agency	Ministry Annual Report
Regional Health Authorities and Provincial Health Boards:	Health and Wellness
Alberta Cancer Board	
Alberta Mental Health Board	
Aspen Regional Health Authority	
Calgary Health Region	
Capital Health	
Chinook Regional Health Authority	
David Thompson Regional Health Authority	
East Central Health	
Health Quality Council of Alberta	
Northern Lights Health Region	
Peace Country Health	
Palliser Health Region	
Safety Codes Council	Municipal Affairs
School Boards and Charter Schools:	Education
Almadina School Society	
Aspen View Regional Division No. 19	
Aurora School Ltd.	
Battle River Regional Division No. 31	
Black Gold Regional Division No. 18	
Boyle Street Education Centre	
Buffalo Trail Public Schools Regional Division No. 28	
Calgary Arts Academy Society	
Calgary Girls' School Society	
Calgary Roman Catholic Separate School District No. 1	
Calgary School District No. 19	
Calgary Science School Society	
Canadian Rockies Regional Division No. 12	
CAPE-Centre for Academic and Personal Excellence Institute	
Chinook's Edge School Division No. 73	
Christ the Redeemer Catholic Separate Regional Division No. 3	
Clearview School Division No. 71	
East Central Alberta Catholic Separate Schools Regional Division No. 16	
East Central Francophone Education Region No. 3	
Edmonton Catholic Separate School District No. 7	
Edmonton School District No. 7	
Elk Island Catholic Separate Regional Division No. 41	
Elk Island Public Schools Regional Division No. 14	
Evergreen Catholic Separate Regional Division No. 2	
FFCA Charter School Society	

ENTITIES INCLUDED IN THE CONSOLIDATED GOVERNMENT REPORTING ENTITY

Ministry, Department, Fund or Agency	Ministry Annual Report
Foothills School Division No. 38	
Fort McMurray Roman Catholic Separate School District No. 32	
Fort McMurray School District No. 2833	
Fort Vermilion School Division No. 52	
Golden Hills School Division No. 75	
Grande Prairie Public School District No. 2357	
Grande Prairie Roman Catholic Separate School District No. 28	
Grande Yellowhead Regional Division No. 35	
Grasslands Regional Division No. 6	
Greater North Central Francophone Education Region No. 2	
Greater Southern Public Francophone Education Region No. 4	
Greater Southern Separate Catholic Francophone Education Region No. 4	
Greater St. Albert Catholic Regional Division No. 29	
High Prairie School Division No. 48	
Holy Family Catholic Regional Division No. 37	
Holy Spirit Roman Catholic Separate Regional Division No. 4	
Horizon School Division No. 67	
Lakeland Roman Catholic Separate School District No. 150	
Lethbridge School District No. 51	
Living Waters Catholic Regional Division No. 42	
Livingstone Range School Division No. 68	
Medicine Hat Catholic Separate Regional Division No. 20	
Medicine Hat School District No. 76	
Moberly Hall School Society	
Mother Earth's Children's Charter School Society	
New Horizons Charter School Society	
Northern Gateway Regional Division No. 10	
Northern Lights School Division No. 69	
Northland School Division No. 61	
Northwest Francophone Education Region No. 1	
Palliser Regional Division No. 26	
Parkland School Division No. 70	
Peace River School Division No. 10	
Peace Wapiti School Division No. 76	
Pembina Hills Regional Division No. 7	
Prairie Land Regional Division No. 25	
Prairie Rose School Division No. 8	
Red Deer Catholic Regional Division No. 39	
Red Deer School District No. 104	
Rocky View School Division No. 41	

ENTITIES INCLUDED IN THE CONSOLIDATED GOVERNMENT REPORTING ENTITY	
Ministry, Department, Fund or Agency	Ministry Annual Report
St. Albert Protestant Separate School District No. 6	
St. Paul Education Regional Division No. 1	
St. Thomas Aquinas Roman Catholic Separate Regional Division No. 38	
Sturgeon School Division No. 24	
Suzuki Charter School Society	
Westmount Charter School Society	
Westwind School Division No. 74	
Wetaskiwin Regional Division No. 11	
Wild Rose School Division No. 66	
Wolf Creek School Division No. 72	
Supplementary Retirement Plan Reserve Fund	Finance and Enterprise
Technical Institutes and The Banff Centre:	Advanced Education and Technology
Northern Alberta Institute of Technology	
Southern Alberta Institute of Technology	
The Banff Centre for Continuing Education	
Universities:	Advanced Education and Technology
Athabasca University	
The University of Alberta	
The University of Calgary	
The University of Lethbridge	
Victims of Crime Fund	Solicitor General and Public Security
The Wild Rose Foundation	Culture and Community Spirit

ENTITIES NOT INCLUDED IN THE CONSOLIDATED GOVERNMENT REPORTING ENTITY	
Ministry, Department, Fund or Agency	**Ministry Annual Report**
Alberta Foundation for Health Research	Advanced Education and Technology
Alberta Heritage Foundation for Medical Research	Advanced Education and Technology
Alberta Heritage Foundation for Science and Engineering Research	Advanced Education and Technology
Alberta Teachers' Retirement Fund Board	Education
Improvement Districts' Trust Account	Municipal Affairs
Local Authorities Pension Plan	Finance and Enterprise
Long-Term Disability Income Continuance Plan - Bargaining Unit	Treasury Board
Long-Term Disability Income Continuance Plan - Management, Opted Out and Excluded	Treasury Board
Management Employees Pension Plan	Finance and Enterprise
Provincial Judges and Masters in Chambers (Registered) Pension Plan	Finance and Enterprise
Public Service Management (Closed Membership) Pension Plan	Finance and Enterprise
Public Service Pension Plan	Finance and Enterprise
Special Areas Trust Account	Municipal Affairs
Special Forces Pension Plan	Finance and Enterprise
Supplementary Retirement Plan for Public Service Managers	Finance and Enterprise
Workers' Compensation Board	Employment and Immigration

[1] Effective January 1, 2008, the Alberta Energy and Utilities Board was realigned into two separate regulatory bodies: the Alberta Utilities Commission and the Energy Resources Conservation Board.

[2] The Act was proclaimed and came into force on December 5, 2008.

[3] Began operations July 1, 2008.

[4] Incorporated on January 29, 2009

[5] Began operations July 1, 2007.

[6] Ministry includes only the departments so separate financial statements are not necessary.

Additional Information

For additional copies, contact:

Communications Branch
Alberta Department of Energy
11th Floor, Petroleum Plaza North
9945 – 108 Street
Edmonton, Alberta T5K 2G6

Tel: (780) 427-1083
Fax: (780) 422-0698

Information Services
Energy Resources Conservation Board
640 – 5 Avenue S.W.
Calgary, Alberta T2P 3G4

Tel: (403) 297-8190
Fax: (403) 297-7040

Customer Information Services
Alberta Utilities Commission
Fifth Avenue Place
4th Floor, 425 – 1 Street SW
Calgary, Alberta T2P 3L8

Tel: (403) 592-8845
Fax: (403) 592-4406

The Ministry of Energy Annual Report 2008-09 is available on the following website:
www.energy.gov.ab.ca/Org/Publications/AR2008pdf

Current information about the organizations that were part of the Ministry of Energy in 2008-09 is available at the following websites:

For the Alberta Department of Energy:
www.energy.alberta.ca
e-mail: library.energy@gov.ab.ca

For the Energy Resources Conservation Board:
www.ercb.ca
e-mail: ercb.info_services@ercb.gov.ab.ca

For the Alberta Utilities Commission:
www.auc.ab.ca
e-mail: info@auc.ab.ca

MINISTRY OF ENERGY 2008-09

www.energy.alberta.ca
www.ercb.ca

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